

EVALUATION STUDY  
OF THE CO-OPERATIVE DEVELOPMENT  
PROGRAM OF THE MINISTRY OF  
EMPLOYMENT AND TRAINING  
GOVERNMENT OF VICTORIA

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INTRODUCTORY NOTES

LIST OF FUNDED CO-OPERATIVES

19 INDIVIDUAL REPORTS ON EACH OF THE FUNDED CO-OPERATIVES

OTHER CO-OPERATIVES AND ORGANISATIONS PREVIOUSLY  
FUNDED AND NOT NOW IN THE PROGRAM

A RECENT SUBMISSION - FAST FORWARD

## INTRODUCTION

In writing this Report we assume a certain level of existing knowledge of the philosophy, history, concepts and problems of co-operatives, whether worker or consumer based. Our task has been to evaluate, not to rewrite the subject so we have stuck to a constructively critical pragmatic approach.

We have deliberately avoided the quicksands of political bias, views on social welfare issues and appeals to sentiment - by sticking closely to the role that might be expected of us; the professional detached objective assessment of effectiveness and efficiency, validation and evaluation.

Validation in terms of :-

- If that is what was set out to be achieved
- how well has it been done?

Evaluation in terms of :-

- Should the aims have been different, in the first place?

Given the avowedly experimental nature of the Program we have avoided attributing blame from the advantage of hindsight; instead the stress is on drawing out positive ideas to contribute to progress on the subject. To do so, we have not hesitated to exercise judgement or make points strongly. At least a clear cut view on an often tangled subject gives some base line from which others can work.

It should be stressed that the whole assessment was carried out in a matter of weeks by four persons under severe restraints of financial and other data. The key concepts such as viability criteria are not imposed on the study but arose during its conduct. They are not theoretical ideas as they can be seen applied to all eighteen co-operatives Individual Reports.

The Report is longer than might otherwise be the case due to the requirement in the Brief to look at the Program and to report on it in a number of specified ways, e.g. validation and evaluation, accounting for what has happened and discussion of ideas for the future. A very detailed and thorough brief has meant a lengthy and detailed Report, with a certain amount of inevitable repetition.

The whole Report consist of evaluation ('the setting of an exact measure of value upon something') There is an inherent element of conclusion and consequently explicit or implicit recommendations in virtually all sections of the Report. Key passages are The Policy Framework; Definitions and Assumptions; Conclusions on Funded Co-operatives and The Cost Benefit Analysis. It cannot be stressed too strongly that full understanding of the Report must be based on a thorough reading of the Individual Reports on the Funded Co-operatives. Particular attention should be paid to the structure of those Reports in terms of :-

1. History
2. Development
3. Impact of the Program (Validation)
4. Economic Viability Criteria - financial  
- human aspects
5. Progress Compared to Co-operative Aims
6. Cost Benefit Data (Cost Benefit Analysis  
and Evaluation)
7. Conclusions and Recommendations

## THE STUDY TEAM

This comprised four people

B. Innes-Will, M.A., Econ. Sc.; Aberdeen

Manager, Vic, Cruickshank Management Resources

Economist; training consultant; experienced in regional development, new business assistance, general consultancy, training and management development.

Peter Clark, Dip. Bus. Studies (Accounting)  
Senior consultant

Former line manager of productivity improvement and accounting skills.

Two sub-contract consultants

Alan Stone and Keppel Hepty-Wilson

Both experienced line general managers (one from the printing trade) and both qualified accountants.

## THE SUBJECT OF THE STUDY

The Program, of itself, consists of (or has consisted of) the following:-

### Ministry support

1. Program Co-ordinator
2. A variable count of support staff, with a base of one or two at many times (Support staff, monitoring the co-operatives were re-allocated to the EIP Scheme due to competing priorities).
3. General clerical, secretarial and accountancy services.
4. Funding Committee.
5. Funding payments.
6. Conferences, seminars, courses.
7. Informal education by circulation of material.

THE SUBJECT OF THE STUDY Continued.,

Support Services. For the latter part of the duration of the Program only - there has been :-

1. A Business Advisor based on the Co-operative Federation of Victoria.
2. Two staff in the Education and Training Unit under general guidance of the Victorian Guidance Centre.

N.B. These three strands of support operate from three localities (albeit close to the centre of Melbourne).

The Funded Co-operatives

Attached is a table showing the information on the funded co-operatives provided to the consultants at the start of this exercise.

Formerly Funded Organisations No Longer in the Program

A list of these is also attached.

We saw the Funding Committee in operation and saw the processing of a submission by 'Fast Forward', amongst others. Notes are appended to the Individual Co-operative Reports to record discussion with this group.

An open forum meeting was held for member co-operatives. In all, 10 co-operatives were represented.

All 18 Funded co-operatives were visited at least once and over sixty persons interviewed at length.

# LIST OF FUNDED CO-OPERATIVES

This page lists the co-operatives funded by CDP and included in the terms of reference of the Evaluation.

<u>Co-Operative</u>	<u>Community (C)</u>	<u>Location</u>	<u>Business</u>
Backyard Press	W	Prahran	Printing
Ballarat Employment Co-operative	C	Ballarat	Horticultural and Agricultural Services
Bendigo Trading Co-operative	C	Bendigo	Vegetables, fresh fruit and health food.
Brunswick Italo Australian Co-operative	W	Brunswick	Osteria
Correct Line Graphics	W	Fitzroy	Typesetting and Graphics Services
Frankston Motor Cycle Park Co-operative	C	Frankston	Motor Cycle Park
Gay Publications Co-operative	W	Fitzroy	Magazine
Geelong Community Contracting Co-operative	C	Geelong	Contracting Work
Goldfields Community Radio Co-operative	C	Castlemaine	Public Radio Station
Hodja Educational Resources Co-operative	C	Richmond	Multilingual and Multicultural Publishing
Maryborough Bootstrap	W	Maryborough	Chamois and Split Suede Accessories Manufacture & Sales
Loch Ard Co-operative	W	Warrnambool	Restaurant Craft & Health Food Shop Gallery Framing Service
Open Channel	C	Fitzroy	Video/Television Production, Training & Facilities Hire Public Television Applicant
Public Images	W	North Williamstown	Public Murals



## LIST OF CO-OPERATIVES

Continued.,

<u>Co-operative</u>	<u>Community (C) or Worker (W) Based</u>	<u>Location</u>	<u>Business</u>
Stawell Work Co-operative	C	Stawell	Packaging and Sales of Horticultural Products and Bird Seed
Sybylla Co-operative Press & Publications Co-operative	W	Fitzroy	Printing and Publishing
3PBS-FM	C	St. Kilda	Public Radio Station
Turkish Womens Association	W	Melbourne	Turkish Handicrafts and Repairs
Wanderfood	W	West Melbourne	Mobile Health Food

## ACKNOWLEDGEMENTS

Throughout the Evaluation Study, we met with courtesy and helpfulness from the Ministry staff, those involved in the administration and support of the Program, the Co-operatives' own members and the other organisations we consulted.

We would like to thank all those who contributed so patiently and helpfully in supplying information and ideas, without which this Study could not have been brought to fruition.

## ABBREVIATIONS USED IN THIS REPORT

- CDP means Co-operative Development Program.
- COF means Common Ownership Funded (as in NSW Program).
- Co-operative names are given in brief (e.g. Backyard) and not in full. No disrespect is intended.
- EIP means Employment Initiatives Program.
- MEAT means Ministry of Employment and Training.
- NA means not applicable.
- NSC means no significant comment.
- SEQ. NO. means Sequence Number.
- WCDA means Worker Co-operative Development Agency

In parts of this Report, a convention is used of referring to co-operatives by "Sequence Number". This means their sequence is in the alphabetically-listed set of 19 names of funded co-operatives, supplied to us by the Ministry. It is a cross-referencing device so that one can quickly refer to the co-operatives own Individual Report for substantiating information.

The list is shown at the start of the section of the Report covering Individual Reports on the co-operatives.

FORMERLY FUNDED ORGANISATIONS NO LONGER IN THE PROGRAM

In accordance with the brief, the Study team reviewed these organisation. They have received the following funding attributed to the Program. (Many received other funds previous to the creation of CDP).

NAME	TOTAL PROGRAM \$
1. Box Hill Workforce Cooperative	11,350
2. Brunswick Work Cooperative	37,800
3. Collingwood Cooperative Overseeing Com.	50,000
4. Essendon Job Generation	2,000
5. Mandurah Health Food Shop	4,752
6. Maryborough Producer Cooperative	11,200
7. Shepparton Disabled Workers	4,000
8. Multi Purpose Cooperative	7,500
9. Malvern Star	9,500
	<hr/> 93,700

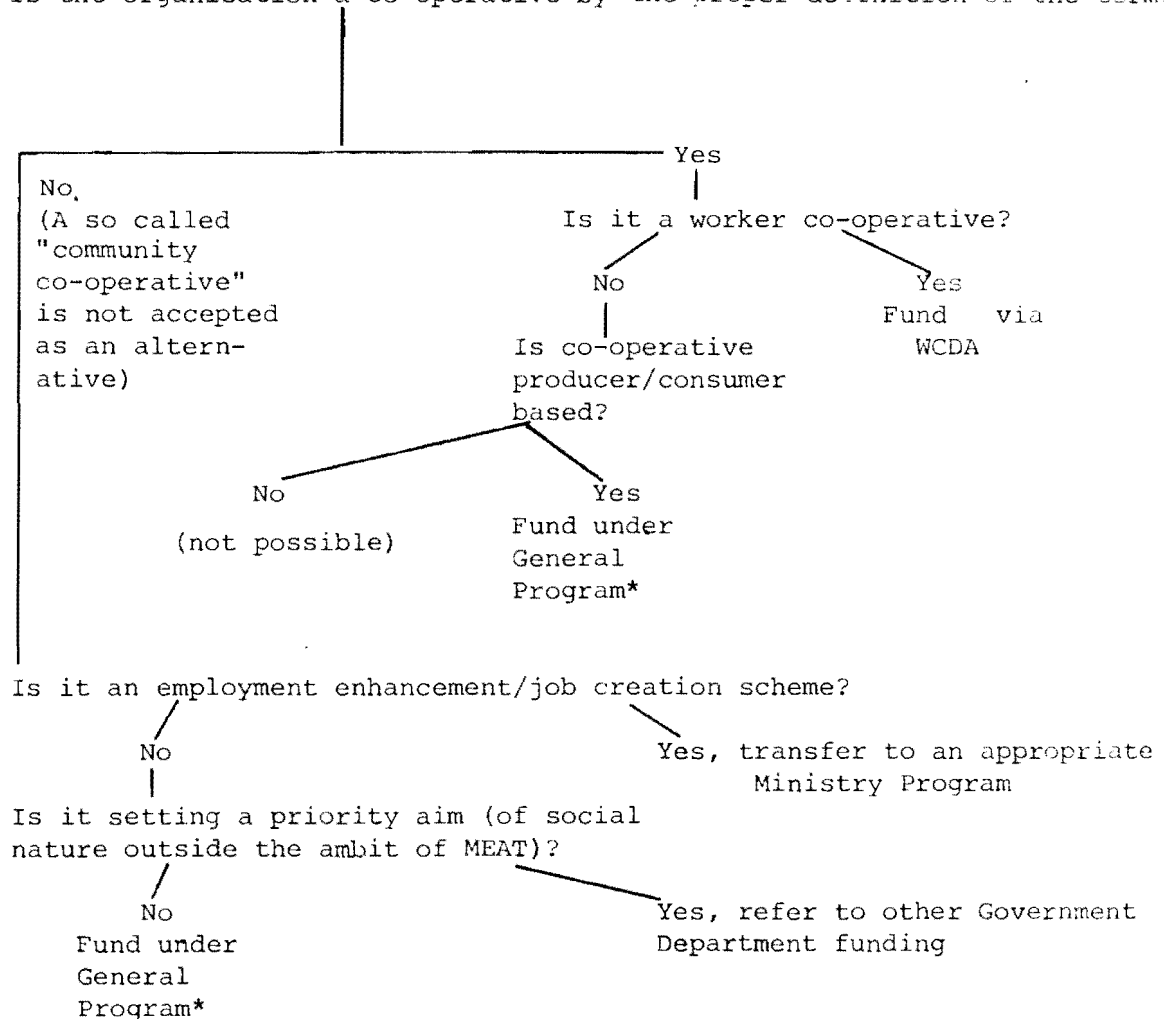
## Section One

### EXECUTIVE SUMMARY

Our recommendations are :-

1. The phasing out of the existing CDP, taking account of existing commitments to fund certain organisations and the conclusions given in the co-operatives Individual Reports.
2. Cessation of funding of the Business Advisor and Education and Training Unit.
3. The Ministry should assess the de facto nature of the existing funded organisations (and ones applying for funding now or in the future) on the basis of the crucial distinctions made in Definitions and Assumptions and should decide the nature of support or non-support on the basis of the following algorithm:-

Is the organisation a co-operative by the proper definition of the term?



\*Same Program

EXECUTIVE SUMMARY

Continued.

- 4A Acceptance of a long term policy commitment to broadening the co-operative sect or through the creation of a new Program on worker co-operatives (as defined in Definitions and Assumptions) Initially, having as its subject the co-operatives we have defined as de facto/formally structured worker co-operatives with no conflicting priority aim Program to have embodiment in the Worker Co-operative Development Agency (WCDA) and Common Ownership Fund (COF) structure proposed (along the lines of NSW). We do not recommend continuation of the existing Program, nor one supervised by a unit within the Ministry itself, for reasons given. Should this proposal not be accepted then we recommend that the Ministry withdraw from this field of activity entirely.
- B The staffing of the proposed WCDA and COF be on the lines specified in this Report as regards calibre and successful business experience of support staff.
5. Funded organisations, which we have identified, in the CDP for the desirability of their priority aims, but which do not meet the definition of a co-operative in de facto terms should be given encouragement and assistance to seek alternative Government funding and should be removed from Ministry of Employment funding as soon as existing commitments can be satisfied.
6. The radio stations (Goldfields, 3PBS-FM) and Open Channel should be included in the above category if the Arts Ministry will fund them. Alternatively, if not funded by Arts they could be funded under the General Program for 'social' purpose organisations proposed below.
7. A General Program for 'social' purpose organisations (where the priority aim, as defined in the algorithm and in Definitions and Assumptions, falls within the ambit of MEAT) should be initiated within strict defined guidelines taking into account the definitions of co-operative; economic viability, social viability, sub-optimal operation, cost minimisation and benefit maximisation outlined in Definitions and Assumptions.

This Program should be funded and supported direct from the Ministry in the near future (on the assumption of small numbers of organisations being manageable). We recommend, also, save duplication of resources (whilst providing effective advice) that the WCDA provides a functional service of supervising business standards, on a 'fee per unit handled' basis to offset the additional costs they would thereby incur. (This would involve the radio stations and Open Channel if funded as being within MEAT ambit and Bendigo as a consumer co-operative). Longer term, this Program may develop into a producer/consumer Co-operative Program supported by similar organisations to those advocated to support worker co-operatives.

EXECUTIVE SUMMARY

Continued.

8. The three organisations in the current CDP which we identified as models for employability enhancement/job creation schemes (Stawell, Geelong and Ballarat excluding the tree establishment service part), be funded under the General Program if existing CDP commitments cease before an appropriate Employability Enhancement/Job Creation is developed by the Ministry,
9. Any future requests for funding from community backed ventures should be assessed with reference to the algorithm provided above.
10. Conversion of established businesses to co-operative form will fall within the scope of the WCDA if the obvious alternative is a worker co-operative. The feasibility of conversions to a producer or consumer co-operative form is much lower, but we recommend that if occurring they be handled under the General Program using the business skills of the WCDA on the basis outlined above.
11. No steps should be taken to fund conversions until a WCDA/COF structure is established and operating effectively. Direct initiation of conversions by the Ministry until that time is not recommended, as it is not a feasible or desirable proposition in terms of economic, social, administrative and political reasons in our view.
12. Formulation of a new legislative framework to meet the needs of worker co-operatives, common ownership companies and co-operatives generally is required. Provision for worker membership of the board is necessary for worker co-operatives.

Section TwoTHE OVERALL BRIEF FOR EVALUATION OF THE CO-OPERATIVE DEVELOPMENT PROGRAM (AS PROVIDED TO THE CONSULTANT)

## INTRODUCTION

It is the responsibility of the Ministry of Employment and Training to present an Evaluation of the Program, based on the original objectives, illustrating its achievements and potential, and so that future policy decisions can be made as to its continuation, modification or termination in the light of the present Government's objectives.

An internal Review has already been initiated by the Ministry. This Review calls for submissions from funded organisations by early March, 1983. The Minister intends that interested parties will have an opportunity prior to the end of March, to discuss the summary impressions which come from those submissions. This internal Review has been initiated prior to the decision to conduct this external evaluation. The Review submissions will be made available to the chosen consultant, so that they may be integrated into the overall evaluation.

## PROGRAM OBJECTIVES: ORIGINAL

The Co-operative Development Program sprang out of initiatives by the community to foster co-operative business enterprises as a response to unemployment.

The Program aimed to provide financial resources and the infrastructure necessary to support the development of new co-operative ventures in Victoria.

It was intended that the Program might demonstrate the relevance of co-operative structures to work and community relationships.

Thus they might reveal new initiatives for:-

- Workers, in terms of common ownership, job satisfaction, work structures, community relations and related issues.
- Local action, for creating employment, and
- Business potential and effectiveness.

The main purpose of the original Co-operative Development Program was to examine whether or not (community) co-operatives could become self-sufficient business enterprises.

## PROGRAM OBJECTIVES: ORIGINAL Continued

The principles which were to guide funding were:-

1. The co-operative must (be seen to) have the potential to become self sufficient.
2. They must be operated as real business enterprises in law.
3. They were to be accountable for their use of public monies.
4. They were to be monitored and they and the Program evaluated.
5. The funding policy would be flexible to meet (new) circumstances which might arise.

The continual process of monitoring the review, aimed at recognising problems in the development of the Program and modifying the operation of the Program to alleviate such problems, eventually led to re-shaping of the objectives to improve the effectiveness of the Program.

## PROGRAM OBJECTIVES: MODIFIED - AUGUST 1981

Objectives and funding conditions were therefore modified in 1981. These objectives have been maintained by the present Government in the administration of the Program. The objectives were re-stated with two primary aims as:-

1. To establish viable, new small-scale business enterprises or employment-generating modifications to existing businesses, through work co-operative ventures; and
2. To enhance the effective integration of the training and social resources required to provide for the longer term viability of work co-operatives.

It was hoped that these ventures might thereby lead to:-

1. Improved economic well-being and social conditions for those unemployed or facing difficulties in entering or re-entering employment, and enhanced employability for participants generally;
2. Making use of unused or under utilised community resources.

The concept, therefore, is multi-faceted with emphasis on:-

- Community or worker based Co-operatives;
- Viable (self-sustaining) businesses; (and thereby)
- Long term employment.



THE OBJECTIVES OF THE EVALUATION STUDY

The proposed evaluation must address the achievements and problems of the Program in terms of the objectives which have guided it to date.

It is intended that the evaluation also provide a basis for recommendations for future direction of such a Program, in terms of the present Government's employment and training policies.

Future Program direction must take account of:-

- the potential of co-operatives to achieve Government objectives for industrial democracy and common ownership,
- to do so in the best manner for long-term job creation,
- the relationships between the co-operatives, the Labor movement and the Trade Unions.

Consideration should be given to:-

- The lead time needed for co-operatives to form and develop to a stage to be evaluated.
- The time that was taken to appoint advisory staff and the Education and Training Unit.
- Different stages at which co-operatives joined the Program and different lengths of time in the Program so assessment could be equal.
- The fact that financial assistance was to be only for co-operatives which demonstrated the potential to be self-sufficient over a three year period.

## THE EVALUATION STUDY DESIGN

It is intended that the evaluation study address the issues of effectiveness and efficiency and have two distinct reporting phases:-

1. Initially drawing conclusions to properly account for the operation of the Program to date.
2. Making recommendations for the future.

Further, it is intended that the evaluation assess the overall impact of the Program by consideration of what has been achieved to date and what is likely to be achieved in the future, given current program direction or whether more desirable outcomes might be achieved by modifying the current Program or adopting alternative strategies.

It is agreed that the evaluation should consider the roles of the Ministry, the Co-operative Business Advisor and the Co-operative Education and Training Unit and their effectiveness and impact on the Program.

It is understood that the study should address not only those outcomes which are clearly in concert with the historical Program goals, but also identify those which may have been unintended and whether these outcomes are beneficial or not.

It is agreed that as there is only a small number of participant groups in the Program, the evaluation must assess each funded group. The analysis should encompass the perceptions of the Program as seen by the various organisations which were funded.

It will be important to consider the Program impact on each group with both the particular group characteristics and the environment in which the group operates.

It is agreed that evaluation study should identify success or failure in addressing community-wide interests relating to employment, labour relations, unemployment and (Government support for) economic development.

Analysis of the co-operatives will include quantitative cost-benefit study of relevant financial aspects, as well as qualitative assessment of those social and welfare issues which are addressed by the Program goals.

THE EVALUATION STUDY DESIGN      Continued.,

Consideration will be given to whether the evaluation might benefit from a comparative study of, for instance, the New South Wales Worker Co-operative Program, other forms of Co-operatives in Victoria and related small businesses, or overseas co-operatives.

Consideration will also be given to the stated objectives themselves. Were the goals consistent and achievable, given the results so far?

COMMENTS ON THE BRIEF

CHALLENGE

The evaluation is challenging in that it raises issues across the whole spectrum of economic, social and political thought. It ranges from very wide to specific issues:-

- e.g. Macro and micro economics.
- Patterns of organisation development.
- Government and external agencies' capacity to influence organisations and to shape events.
- Concepts of ownership, power and influence in organisations.
- Changing perception as to the role of owners, managers, workers and decision taking.
- Morale and motivation.
- The concept of profit or surplus and its deployment.
- Cost benefit analysis and financial matters.
- Accepted business and administrative practices.

DIFFICULTIES

The basic difficulties to be faced in the conduct of the evaluation included:-

1. Evaluation of the Program was to be against both the original objectives (which were more community orientated and in retrospect more closely aligned with job creation/employability improvement schemes). Therefore more comparable with NSW Program of the same period.

and

The modified objectives adopted in August, 1981 reflected a relative shift in thinking, with greater concern for worker ownership, industrial democracy, common objectives, long term job creation and relationships with the Labor movement.

Co-operatives funded under the original objectives continue within a Program having revised objectives.

2. There has been a change to a Labor Government accelerating a parallel shift in policy emphasis,
  - away for community inspired ventures where desire to employ the people came before the identification of and concentration on a long term market opportunity or the co-operative business model.
  - towards established business ventures of more or less worker co-operative character or new ventures of good prospect and and acceptable degree of co-operative character.

## DIFFICULTIES (Cont.,)

- latterly to looking towards conversions of existing (larger) business to worker co-operative form. However, none had been funded at the date of this Study.
3. The actual set of funded co-operatives are very diverse in:-
- physical and market location,
  - basic activity and level of technology,
  - length of time in existence,
  - length of time in Program,
  - aims and emphasis on their degree of co-operative character.
4. Policy formulation lags behind actual experience in that there is very little in print to provide guidelines or a blueprint for the future.
5. There is a very little comparable experience:-
- Worker co-operatives and programs to support them are very new in Australia.
  - The nearest model is the NSW Program which has evolved on different lines with different policy and organisational frameworks.
  - Overseas comparisons are of limited use because of the lack of cost benefit assesement. Alternatively, co-operatives are at a rudimentary stage of development or are highly developed but markedly dissimilar in nature.
6. Due to late authorisation to proceed, the formal start date was 26 April. A first Report to provide information for the Victorian Government budgetary process was called for by the week commencing 16th May and the substantive Report was required by the end of May, 1983. This telescoped the study and placed severe time constraints on the consultants.

## DISCONTINUITY

One must be aware that the past is not necessarily a good guide to the future. In particular, we note the comment in the brief on the absence of cases of 'conversion' from 'conventional' business to a co-operative approach. This raises a host of issues. Is it desirable to try to encourage this to happen? If so, how? Where else have conversions occurred? How successful and are there lessons to be learned? This could involve radical departures from the past style of the Program. Our proposal was to fully examine these aspects as well as discharging the more obvious tasks of assessing the co-operatives and their development.

COMMENTS ON THE BRIEF

## ISSUES RAISED BY THE EXPERIMENTAL NATURE OF THE PROGRAM

It is in the nature of experiments that hindsight can lead one to point out 'obvious' lessons that should have been identified, or if identified should have been acted on in more vigorous fashion. In this respect we have:-

1. Borne in mind the very real achievements made.
2. Commented on how much has been done with severely limited resources.
3. Focussed on achievement and looked for constructive proposals or suggestions rather than just highlighting problems.
4. Concentrated on the practical mechanics of improvement for the future rather than the analysis of past policy issues.

## Section Four

### PROPOSED STUDY METHODOLOGY

#### PROPOSED METHODOLOGY : REPORT PHASES

In brief we proposed that the Evaluation Study address the issues of effectiveness and efficiency and have two distinct reporting phases:-

1. initially drawing conclusions to properly account for the operation of the Program to date,
2. making recommendations for the future.

#### OVERALL IMPACT

The evaluation would assess the overall impact of the Program by consideration of what has been achieved to date and what is likely to be achieved in the future, given current Program direction whether more desirable outcomes might be achieved by modifying the current Program, (or adopting alternative strategies).

It would address not only those outcomes which are closely in concert with the historical Program goals, but also identify those which may have been unintended (and whether these outcomes are beneficial or not).

#### ELEMENTS OF THE STUDY

1. There was a "study within a study", in that each co-operative had to be evaluated by itself, as well as the Program as a whole, which included the totality of the experience of these co-operatives as an element in it.
2. The overall task would be tackled in distinct phases:-
  - a. First, definition of specific information to be elicited.
  - b. An initial review and background information gathering phase. (Desk research)
  - c. Interview questionnaire design.
  - d. A pilot exercise to test perception, approach and questions.
  - e. Interview and fact gathering with co-operatives themselves and related organisations.

PROPOSED STUDY METHODOLOGY

## ELEMENTS OF THE STUDY. Continued.

2. f. Comparative study of the NSW Program and other comparative material.
- g. Analysis and reporting stage.
3. Close liaison would be maintained with the Ministry and Program staff, as well as with the Steering Committee.

## ROLES OF KEY CONTRIBUTORS.

The evaluation would consider the roles of the Ministry, the Co-operative Business Advisor and the Co-operative Education and Training Unit and their effectiveness and impact on the Program.

Consultations would embrace the immediately involved Trade Unions (e.g. those with members in co-operatives), the Labor movement more generally, the Co-operative Federation of Victoria and appropriate interstate academics and public servants.

## DIPLOMACY.

We would endeavour not to unsettle the co-operatives and would try to make information gathering as painless as possible. We would also contribute positive suggestions where these naturally arose in the course of discussion. We would also endeavour to explain the approach we adopted to assess business viability using conventional financial models supplemented by models drawn from diagnostic techniques called TCM or Total Cost Management.

## TEAM STRUCTURE.

The team of four would operate as two pairs. Each would have a full-time CMR consultant and the other person in each pair would be a sub-contract, accountancy qualified, ex general manager employed by CMR for the duration of the project.

## VISITS.

Visits would be paid to all co-operatives with more coverage of the larger, longer established or otherwise higher priority subjects. Assessment would cover each funded co-operative.



PROPOSED STUDY METHODOLOGY

## PROGRAM IMPACT.

It was seen as important to consider the Program impact on each group with both the particular group characteristics and the environment in which the group operates.

The Evaluation should identify success or failure in addressing community-wide interests relating to employment, labour relations, unemployment and (Government support for) economic development.

## COST BENEFIT ANALYSIS.

Analysis of the co-operatives would include quantitative cost benefit study of relevant financial aspects, as well as qualitative assessment of those social and welfare issues which are addressed by the Program goals.

The Study would also look at the administrative structure, methods and procedures of the Program as a whole.

Cognisance would be taken of results from the Ministry's internal evaluation which sought feedback from funded co-operatives.

A visit would be paid to the NSW Co-operative Program for comparison purposes, note would be taken of other Australian and overseas experience as well as comparisons with experience outside the co-operative field of endeavour, e.g. small businesses.

## DETAILED CRITERIA OF EVALUATION.

The brief established detailed criteria for evaluation which are set out as a series of specific questions for the Study to consider under the headings of:-

- (a) viability of the co-operatives as business ventures;
- (b) establishment of co-operatives;
- (c) provision of training and social resources;
- (d) employability and job creation.

## DETAILED CRITERIA OF EVALUATION. Continued.

It was recommended to CMR by the Ministry that the Evaluation address the Program objectives in terms of evaluation criteria as set out below.

1. Objective No. 1

"To establish viable, new small-scale business enterprises or employment generating modifications to existing businesses\*, through co-operative ventures".

This might best be tested in terms of its two main components, viz,  
the establishment of viable business enterprises,  
the establishment of (viable) co-operatives.

Establishment of Viable Business Enterprises

The general concern of this aspect of the evaluation might focus upon:-

1. Measures of viability. What expectations are placed on the notion of "VIABILITY"?
2. Environmental and Group influences on viability.
3. Progress towards viability and the necessary time frame in which it might typically be achieved.
4. Co-operative structures and business viability.
5. Co-operative enterprises and traditional small business enterprises.
6. Commonwealth and State Government costs and benefits.
7. The types of enterprises involved and their size.

Typical questions to address these issues are set out under "Questions relating to the viability of the co-operatives in business ventures".

\*"Employment-generating modifications to existing business" are the so called 'CONVERSION' co-operatives. None have been funded under this Program to date.

## DETAILED CRITERIA OF EVALUATION. Continued.

Establishment of (Community - or Worker Based) Co-operatives

The general concerns of this aspect should identify:-

1. Success of the co-operatives in forming general, adequate organisational structures.
2. The types of co-operatives formed and their relation to viability.
3. Benefits to the participants and to the community flowing from the development of the co-operatives.
4. Evidence of long-term community or worker support for the co-operatives established.
5. The development of common ownership in the co-operatives.
6. Notions of industrial democracy and evidence of its effect on the participants and the co-operative.

Some typical questions are set out under "Questions relating to the establishment of (community - or worker based) co-operatives".

1A Questions Relating To The Viability Of The Co-operatives As Business Ventures. (Provided by the Ministry to CMR)

1. Have new businesses and/or new markets been created?
2. How many business ventures have been established?  
  
How much revenue has been/will be generated?  
  
What is the level of fixed asset investment?  
  
How profitable/self-sufficient are the ventures?
3. Are award wages paid? Are workers members of relevant unions?
4. Are products/services sold at full cost?
5. Is productivity higher or lower than in (similar) private enterprise ventures? Is it relevant to compare co-operatives with (conventional) private business enterprises?
6. Do co-operatives use their funds in a cost-effective way?
7. Are co-operatives competing with existing (private) businesses?  
  
If so, does access to grant funding allow them to compete unfairly?

## DETAILED CRITERIA OF EVALUATION. Continued.

1A Questions Relating To The Viability Of The Co-operatives As Business Ventures. (Provided by the Ministry to CMR) Continued.

8. Is the notion of "Business enterprise" compatible with the operation of a co-operative?
9. How important are inter-co-operative (marketing) links to business viability?
10. What is the organisational structure and composition of each group?  
How does such organisation affect their ability to achieve viability?
11. How have the business management skills of each co-operative affected their (economic) performance?  
  
What skills are needed?
12. How does progress towards viability relate to the length of time of operation of each group?
13. How important are the local environment and community support to their (eventual) viability?
14. Is the progress towards economic viability likely to change community attitudes towards them?
15. What is the effect of inflation and/or (economic) recession on co-operative business ventures?
16. Does short-term "viability" infer longer-term self-sufficiency?  
What long-term support might be necessary?
17. Can co-operatives survive as viable business enterprises in the Australian competitive business framework?
18. Would the same amount of money spent on existing small businesses have produced a "better" effect?
19. What are the causes for the failure of some co-operatives?  
  
Is such failure due to the business propositions themselves or to the structure/philosophy/management of the co-operatives?
20. How has the Federal Government contributed to/benefited from the operation of these business ventures?
21. What are the organisational aims and co-operative rules of each group? How do such aims or rules affect the program intention that they achieve self-sufficiency?
22. How are co-operative business ventures different to other private enterprise ventures? How are they similar?

## DETAILED CRITERIA OF EVALUATION. Continued.

1A Questions Relating To The Viability Of The Co-operatives As Business Ventures. (Provided by the Ministry to CMR) Continued.

23. Have any ventures been formed from existing (private) businesses? What is the relative viability of such ventures?
24. What is the economic growth potential of the existing co-operatives?

1B Questions Relating To The Establishment Of (Community- Or Worker Based) Co-operatives. (Provided by the Ministry to CMR)

1. What level of understanding of co-operative principles has been developed by the participants?
2. What are the decision-making structures formed? How are decisions made? Do all workers participate?  
  
What types of co-operatives have been formed?
3. Do the co-operatives demonstrate real alternative (worker-control and) ownership model(s)? Are the workers satisfied with the ownership and income opportunities presented?
4. What is the difference between community based or worker based co-operatives?  
  
Should (such) differences influence the direction of Government support?
5. How does the nature of the chosen work itself affect the ability to operate as a co-operative? Conversely, do the co-operative structures suit the business propositions?
6. What is the attitude of/relationship to the (local) community in which the co-operative operates?
7. What is the attitude of other businesses and consumers/clients towards the co-operatives?
8. What is the composition of each co-operative/the co-operatives in general, in terms of: Boards', members', participants':
  - education levels,
  - age,
  - income levels,
  - sex,
  - marital status,
  - previous business/professional experience?How does viability relate to these profiles?

## DETAILED CRITERIA OF EVALUATION. Continued.

1B Questions Relating To The Establishment Of (Community- Or Worker Based) Co-operatives. (Provided by the Ministry to CMR) Continued.

9. What equity do the workers have in their co-operatives?  
How does that equity relate to their viability?
10. Do the co-operatives capitalise on their structural and philosophical differences from other businesses?
11. How important is the participants' commitment to the viability of the co-operative? Is that commitment reflected in their equity?
12. Do participants benefit from "learning to work in a co-operative?"
13. Has the Program stimulated the formation of new co-operative business ventures?
14. What are the values and attitudes of participants prior to recruitment and following participation in the work ventures.
15. Does co-operative (participative) decision-making and business-operation demonstrate more efficient (business) operation and/or better return on the assets employed than might private business?
16. What proportion of total funds have been allocated to co-operatives comprised (largely) of "lower-income" members?
17. Do co-operatives face competition from other Government-funded, community based "job creation" schemes?
18. Are co-operatives likely to form part of the mainstream, long-term economy, or are they (merely) a response to economic recession?
19. Is the co-operative structure an efficient way in which (the Government can) to stimulate development of new business enterprises and thereby create new employment?
20. Is the establishment of viable co-operative structures a more - or less useful criterion of the success of such a Program, than economic viability?

DETAILED CRITERIA OF EVALUATION. Continued.

2. Objective No. 2

(Provided by the Ministry to CMR)

"To enhance the effective integration of the training and social resources required, to provide for the long-term viability of work co-operatives".

This aspect of the evaluation study should consider the impact of the direct Program funding in providing the necessary resources, as well as the effect of the organisation of such resources through the Advisory Units and the Departmental administration.

Thus, this evaluation aspect might focus upon:-

1. the training and social resources required by the Program,
2. how to provide such resources,
3. the costs of providing such resources,
4. the benefits received by the community and the participants,
5. the viewpoint of both Government and funded organisations.

In particular, the study should consider:-

1. the roles of the Ministry as a funding body, monitor and advisor,
2. the roles of the Business Advisory and Education and Training Units,
3. the funding process itself.

Consideration should be given to the best way to provide the necessary resources for such a Program in future.

Some suggested questions are set out overleaf.

## DETAILED CRITERIA OF EVALUATION. Continued.

2A The Provision Of Training And Social Resources

(Provided by the Ministry to CMR)

1. How important is an initial feasibility study and/or "front end" planning to selection of groups for funding and eventual viability?
2. Are co-operatives suitably informed as to assistance which may be available from other agencies?
3. Did groups endeavour to obtain funds elsewhere before application under this Program?
4. What factors determined which groups were funded?
5. Are all the roles and services provided by the Ministry (seen to be) compatible with its role as funding body?
6. What resources are needed to meet the goals of such a Program? Is Government the most suitable source for (all) those resources, in both the short and long term?

If so, should this particular Ministry administer such a Program?

7. How are the groups affected by being "dependent" upon receipt of Government funds?
8. Should funds be provided by way of grants, loans, a mixture of both or in some alternative form?
9. How have co-operatives been affected by/see the performance of:
  - a. The administration by this Ministry?
  - b. The co-operative business advisory units?
  - c. The co-operative education and training unit?
10. What has been the impact of independent "professional advice" (accounting, marketing, management and so on) on the success of the co-operatives?

Is such advice as is necessary best obtained in an independent manner or through funded (central) bodies such as the Business Advisory and Education and Training Units?
11. What are the implications for the Ministry in the (effective) provision of financial, marketing and training advisory services? What services has the Ministry provided? Why?
12. How are the groups affected by the normal yearly budget method of funding used by Government? What is the impact of uncertainty-of-availability of on-going funding?



## DETAILED CRITERIA OF EVALUATION. Continued.

2A The Provision Of Training And Social Resources. Continued.

(Provided by the Ministry to CMR)

13. If it is clear that, in general, co-operatives will require more than 12 months to demonstrate/achieve "viability", how should funding be provided, given normal budgetary programs?
14. Is the funding process (seen to be) efficient and equitable?
15. Do "funding restrictions" leave groups under-capitalised and therefore (inherently) non-viable? What alternative funds may co-operatives access?
16. Should there be an upper limit to total funds provided to any one group?
17. Are the funding conditions appropriate? Are they being met?
18. What changes have occurred in the administration of the Program? What have such administrative changes occurred?  
  
What has been the impact on the groups of such changes?
19. Should the Ministry take a more/less active role in the promotion of the Program? Has the Program orientation been affected by its promotion?  
  
Is the Program sufficiently well-known to attract the interest groups intended?  
  
What would be the impact on such a Program of (more extensive) advertising?
20. How should such co-operative enterprises be funded and facilitated outside the public sector, once/if they demonstrate viability?
21. What is the impact of taxation on Group funding and financial viability?
22. Is the composition of the funding committee appropriate? Should organisations in receipt of funds be represented on such a body?
23. What legislation affects the development of co-operatives? Do all co-operatives meet legal requirements?
24. What is the attitude of trade unions towards the co-operatives?
25. How effective is the role of the Co-operative Federation of Victoria? Is a central co-operative representative agency important to such a Program?

## DETAILED CRITERIA OF EVALUATION. Continued.

3. Objective No. 3

(Provided by the Ministry to CMR)

"Improved economic well being and social conditions for those unemployed or facing difficulties in entering or re-entering employment AND enhanced employability for participants generally".

The intentions of this consequential set of objectives may best be stated in criteria suited to evaluation as:

"The Ability of the Co-operative to Provide or Enhance Long-Term Employment Prospects".

In part, these objectives are a corollary of the "training" aspects suggested in Objective No. 2, in that it is assumed that "enhanced employability" will flow from the "training" provided by working, and whilst working, in a co-operative.

Thus, the evaluation must assess the impact of the Program on the SUPPLY of labour.

The co-operatives must be seen not only as a training ground for their labour force but as providing genuine employment in their own right. Thus, they should be examined in terms of the DEMAND for labour; as a job-creation or job-protection measure, in the long-term.

Part of the assessment should also include evaluation of the impact of the Program on unemployment.

The evaluation study should thereby provide assessment of, and the best direction for, long-term job creation in the Co-operative Development Program.

Consideration should be given to both the economic and social effects of the Program on jobs in the co-operatives.

Importantly, analysis of the effect on employment and unemployment should assess the impact on Federal Government costs and revenues.

Typical questions are set out overleaf.

## DETAILED CRITERIA OF EVALUATION. Continued.

3A Employability And Job Creation

(Provided by the Ministry to CMR)

1. How many (direct) jobs have been/will be created? How many existing jobs have been "protected" by the formation of co-operative enterprises?
2. What is the total cost per job?
3. What revenue has been generated?
4. What is the distribution of full-time, part-time and casual jobs? How permanent are the jobs? Is job permanency changing over time?
5. What was the employment status of workers in the co-operatives prior to recruitment?
6. Are these "new" jobs or do they displace workers in other (private) enterprise?
7. What has happened to workers who have been trained in/dropped out of the co-operatives; have they gone to other employment or "to" unemployment?
8. What has been the labour turnover in the co-operatives?  
  
How does this compare to (similar) private industry?
9. What infrastructure is/will be necessary to support these jobs? At what cost?
10. How much money has been/will be saved on unemployment benefits? How much income tax has been/will be paid? How does this affect the "cost per job"?
11. What education and training do the co-operatives offer to workers? How important is that skill development to the participants? What training is offered in:-
  - a. Co-operative skills;
  - b. Management;
  - c. Work skills.
12. What skill development has taken place? Are the skills "up-to-date"?  
  
What alternative employment have participants gained as a result of that skill training?  
  
What is the effect on future employability?

## DETAILED CRITERIA OF EVALUATION. Continued.

3A Employability And Job Creation. Continued

(Provided by the Ministry to CMR)

13. If jobs have been obtained elsewhere (outside the co-operative) as a result of skill acquisition, how does this affect the "cost per job"?
14. What opportunities are there for work advancement - within the co-operatives? - Within the relevant labour market?
15. Does the co-operative commitment influence likely job permanency?
16. What is the typical workforce size in the co-operative?
17. Do participants see the co-operative workplace as offering (potentially) permanent jobs or as a stepping-stone to permanent employment elsewhere?
18. Do co-operative business enterprises offer employment prospects to (specific) "disadvantaged" groups?
19. How appropriate are the "pre-training" skills of participants to the co-operatives' needs?
20. What personal benefits accrue to participants as a result of employment in the co-operatives?
21. Do co-operative business enterprises maximise employment opportunities? If so, how does this affect potential business viability?
22. Should the whole cost of the Program be allocated/measured according to the number of jobs involved?
23. Have the co-operatives offered employment opportunities which would not have presented otherwise?
24. Do the co-operatives offer employment preference to the unemployed? To other "disadvantaged" workers?
25. Do the established co-operatives offer prospects for employment growth?
26. Is job satisfaction high in a co-operative than in conventional business?
27. Should this Program place more emphasis on education and training?  
  
What has been the impact on the (success of) Program of the (late) establishment of the education and training unit?
28. Should education/training be provided to interding members prior to the commencement of any work venture?

DETAILED CRITERIA OF EVALUATION. Continued.

3A Employability And Job Creation. Continued.

(Provided by the Ministry to CMR)

29. What is the relative success of co-operatives which have adopted "good" training for their members?

4. Objective No. 4

(Provided by the Ministry to CMR)

"Making use of unused or under-utilised community resources".

This consequential or sub-objective was not applied as a criterion for funding. Rather, it was considered that, particularly in the case of community-sponsored co-operative ventures, some local assets might be brought into use by such new ventures, but this was not mandatory.

Thus it would not be proper to consider the Program to have failed if "under-utilised community resources" have not been brought to fruitful use.

Rather, the consultant might seek to identify any community assets which have been used.

In this way, it would be hoped to identify any community assets that might desirably be brought to the support of the Program in the future.

INFORMATION TO BE GATHERED FROM CO-OPERATIVES.

To answer the foregoing questions CMR saw the need for both desk research and data collection from co-operatives.

Data collection from co-operatives was to collect from members, individually or as a group, information, particularly on:-

- the history of the co-operative and development stages,
- the structure and style of operation,
- the nature of their business and way of working,
- the way they operate as a social unit,
- actual performance and behaviour data on the above two aspects of business and social objectives,
- measures of internal and external economics,
- characteristics of different co-operatives, or groups of them.
- plans and future expectations of members in financial and social terms including business viability,
- problems and issues arising,
- community attitudes, relations and impact,
- achievement and failures, measured in a variety of ways,
- business viability,
- effect on unemployment,
- profitability objectives,
- co-operative structure and organisational behaviour,
- education and training,
- effect on other business enterprises, trade unions and the community,
- government support (Federal and State),
- utilisation of community assets.

Thus there was both quantitative and qualitative data to be collected.

## EVALUATION AND VALIDATION

As the brief covers both validation of the Program objectives and evaluation of the Program as a whole (e.g. by cost benefit analysis) it is important to formally distinguish the two processes.

Validation is the process of answering the question:-

"Did the Program achieve its objectives?"

In this case, both initial and revised objectives are to be validated.

Evaluation is the wider process of answering the question:-

"Were they the right objectives to set in the first place?" (or to continue to apply in the future)

Two other terms that are often linked to the above concepts are efficiency and effectiveness.

Our usage is for efficiency to mean the economical achievement of set objectives. (Hence the link to validation.)

and

Effectiveness to carry the wider connotations of achievement of best overall results. (Hence the link to evaluation.)

## CONCEPTS OF VIABILITY

A key concept in the Study brief was that of 'viability' of individual co-operatives; either as a business entity or as a co-operative organisation.

We saw aspects to look at as including:-

- Is business viability totally or partially incompatible with co-operative principles? Or reconcilable under what conditions?
- Does 'viability' differ for worker-based, as opposed to community based, co-operatives?
- What are the implications for 'conversions'?

## CONCEPTS OF VIABILITY Continued.

"Viability" as a co-operative organisation may, for example, carry implications of:-

- Ability to continue, in current style and level of activity; only under existing conditions of support, in the short, medium or longer term.
- Ability to achieve or continue operation in current style and level of activity - without support (or with modified support) short, medium or longer term.
- Ability not only to dispense with (or move towards dispensing with) support; but also to progress and develop (qualitatively and/or quantitatively).

## ECONOMIC VIABILITY

We foresaw the most relevant test as being the likely ability of individual co-operatives to generate sufficient revenue to become self-funding. For the whole group, we will seek to identify the number who:-

- are likely to survive,
- may survive,
- are unlikely to survive,
- have already failed.

We sought to also define the key factors that affect future or past ability to survive in economic terms.

This data will then be used to form a view about:-

- the likely future survival rates for various sets of conditions,
- the types of inputs needed to maintain or increase this survival rate.

## ECONOMIC CONTRIBUTION

A number of measures can be used to assess economic contribution both of the individual ventures and in total:-

- cash surplus generated for reinvestment or distribution,



## ECONOMIC CONTRIBUTION      Continued

- value added,
- returns earned on funds employed,
- earnings of co-operative members.

Assessment can also be made of the extent to which economic contribution:-

- would not have taken place if the venture had not been established,
- has been established at the expense of existing businesses.

## EMPLOYMENT IMPACT

One can assess for each venture and in total:-

- the number of jobs already created and likely to be created in the future by the ventures,
- the proportion of these jobs that relate to new jobs rather than a transfer of jobs by taking away business from existing businesses.
- the alternative employment opportunities for the people concerned.

From employment data and assessment of the likelihood of survival of individual ventures, the aim was to assess the number of short-term and long-term new jobs that have been created. This can then be combined with data on Program funding, other support (e.g. training) and administrative costs to assess the cost of new job creation.

Where possible, the aim is to arrive at comparative costs of new job creation relative to other Government Programs or by private industry investment.

## PERSONAL BENEFITS

Qualitative assessment can be made for each operating venture of:-

- relationships, morale, motivation, job satisfaction etc.
- the opportunities for personal development and training provided by the co-operative ventures,
- the impact on employability.

SOCIAL AND COMMUNITY IMPACTS

One can attempt to address:-

- acceptance of and attitudes to the venture by the local community and small business,
- the contribution made to the life of the community (economic and social) by the individual co-operative.

SUMMARY OF PROPOSED METHODOLOGY.

The approach was to apply an objective, detailed approach to:-

- defining aims and means,
- measuring progress, efficiency and effectiveness,
- identifying criteria for measurement and decision-making,
- making recommendations for the future bearing in mind policy and economic imperatives as well as effective use of public resources and accepting that the Program was experimental.

Section FiveALTERATIONS AND ADDITIONS TO THE PROPOSED STUDY METHODOLOGY  
IN THE LIGHT OF ACTUAL EXPERIENCE1. INFLUENCING FACTORS

The following factors affected the actual conduct of the Study and produced changes in direction or additional contributions.

Late Start

A delay of a week in obtaining formal clearance to proceed meant that visits had to be set up very quickly.

Reading

The subject breeds discussion and proliferates written material, often highly repetitive, which nevertheless had to be digested. Ministry files on the co-operatives are voluminous, not that well organised and in severe need of pruning so that reading time was greater than anticipated. In fairness, so was the benefit extracted.

Variable Figures

The variability in the quantity and quality of accounting information in co-operatives and the difficulty of bringing them to a common base to use in extracting cost benefit and other features was also greater than anticipated.

N.S.W. Visit

The visit to the N.S.W. Program produced some very significant contributions and sparked off new insights which helped to progress the Study more than was anticipated from reading the evaluation studies on the early stages of the N.S.W. Program.

Core Activity

In order to meet the Ministry's desire for a preliminary report in the week commencing 16th May, the team concentrated on the individual reviews of the co-operatives, and development of the main thrust of the conclusions. Discussions with associated organisations and the development of the supplementary lines of thought coming out of the Study were given secondary priority in time.

## INFLUENCING FACTORS Continued.,

Rationale

Theoretically, the aim is to anticipate all the likely aspects of the Study in advance and progress methodically through from start to finish in a straight line. In reality, it was not until a first form of report structure had been tried out on several co-operatives that the key sets of viability concepts were identified. There was then a need to back-track and apply them to the full set of data we had accumulated on each of the co-operatives. This too was demanding and time consuming. Since the model runs to over twelve pages on each co-operative and some questions require considerable detailed work to produce the answers, there was much more involved than meets the eye.

Testing Criteria

The desire to persevere with testing the sets of viability criteria by applying them to all the funded co-operatives was to test their usefulness as diagnostic tools on seemingly well known situations. We believe that the results demonstrate their value.

Open Forum

At the suggestion of the Steering Committee an evening meeting was held to which invited all co-operatives to come. Most sent delegates, two (Ballarat and Loch Ard) brought groups. All told, over thirty thirty persons participated from 9 co-operatives.

Most of the response concentrated on the financial relationship with the Ministry. A number of problems were identified and proposals made. All showed significant commitment to the Program as a vehicle for their disparate aims.

Previously Funded Organisations

Efforts were made to talk to these groups, some of which have disbanded, but to little result and the files proved far more relevant.

Support Services and Related Organisations

The Business Advisor and Education and Training staff were interviewed once the individual analysis of co-operatives was completed. Their written and oral views were fully considered. Meetings were also held with the Small Business Development Corporation and the Co-operative of Federation of Victoria. Considerable literature on Trade Union relation with co-operatives was read and sufficient insight was obtained from individual co-operatives not to require further contacts. The same was true of links to the Labour movement. Contact was made with those Unions with members in the co-operatives.

## INFLUENCING FACTORS Continued.,

Visit to Co-operatives

As instructed every co-operative was visited at least once, most twice.

Interviews were held with a variety of co-operative members.

Discussion was also conducted of key aspects such as :-

- aims
- priorities
- impact on employment and upgrading of skills

Many of the cost benefit measures including figures used in measuring the impact on earning capacity were derived jointly in discussion.

## 2. EVALUATION MODEL

To recapitulate, a substantial number of funded co-operatives were in existence and had been trading for some time at the time of joining the Program.

- a. Thus there was no overall 'zero base' starting point.
- b. Different co-operatives were funded at different times (and to a lesser extent, in different ways; grant or loan, specifically earmarked or for general purposes).
- c. Co-operatives joined the Program at different stages of viability, or potential viability with lesser or greater dependence on Government or other external sources of aid.
- d. Funding conditions were applied flexibly, with different stringency as the Program evolved, (but not consistently so, as other considerations could be influential, particularly political considerations).

Thus the Program can be viewed as an 'organic process' and therefore we avoided a mechanistic approach of arbitrarily applying measuring rods to it.

Instead, the overall approach is to view both the Program and the individual funded co-operatives as the overall case study, with the individual co-operatives as case studies within it. This accepts the essentially experimental nature of the Program but applies objective assessment to it.

## 2. EVALUATION MODEL (Continued.,)

Thus we can look at the following parameters of this overall case study :-

The history, and background influences on the Program.

Expectations, their evolution and development to explain what the Program intended to achieve.

The rationale as to what actions were undertaken to achieve these expectations.

The actual major events, turning points and influences that had impact on the Program.

The Systems view of the Program. e.g. activities necessary to maximise the achievements of the Program and effort involved in keeping the Program and its support activities in being.

Cost Benefit Analysis of the overall results of the Program based on a 'non-zero base' approach applying measures of added contribution.

## 3. THOUGHT PROCESSES

Most progress was made once the conclusion was drawn that distinction had to be made between funded organisations on the basis of their priorities as regards their aims.

Put simply, most had a set of rather similar aims. Our conclusions was that aims are not necessarily incompatible or even competing as a whole. However, the priority ascribed to a particular aim over others could shift the picture, affect overall viability (organisational and economic) and definitely influence economic viability, principally pricing policy.

e.g. This could be set to provide a 'hidden subsidy' to customers who were of an interest group the co-operative sees as a priority aim to support.

3. THOUGHT PROCESSES (Continued.,)

Secondly, we applied tests of viability criteria

1. Economic viability - more quantifiable financial measures.
2. Human resource factors - less quantifiable more qualitative issues.  
A sub-set being key social factors.
3. Adherence to the basic definition of a co-operative.

This sorted out a picture of those :-

- genuinely pursuing co-operative aims of economic and organisational distinction.
- those acting as intermediaries for the transmission of Government funds from the Program to chosen interest groups (suppliers, customers, employers).

These distinctions hinge on definitions of different key terms and concepts set out in the section of the Report headed 'Definitions'.

This brought us back to the intent of the Program and its aims as defined originally and in the revised objectives.

We then looked for models i.e.

- A pattern of aims, means, resource organisation, relationships, structure, style etc. that can be extracted as a pattern to aid the identification and development of similar organisations elsewhere, as desired.

We identified the following :-

1. Worker Co-operatives aiming for economic and organisational viability/autonomy.
2. Organisations intent on co-operatives aims as a low priority, but serving some socially useful aim.

ALTERATIONS TO METHODOLOGY

## 3. THOUGHT PROCESSES (Continued.,)

## 3. Community backing for co-operatives as :-

- an initiating process.
- a continuing process only where the community as a whole or sufficient numbers of the community derived some benefit from the service provided (e.g. this explains the difference between the radio stations active support and the declining role of the community in some other co-operatives).

## 4. Employability Enhancement Schemes

- these may be in co-operative guise but to achieve their priority aims of aiding unemployed people they need not (and perhaps should not) be in that form.

Our conclusion was then that there might be more than one model of Program (or way of helping the existing funded organisations) to emerge from the Report conclusions and recommendations.



HISTORY OF THE CO-OPERATIVE DEVELOPMENT PROGRAM

To quote from a Ministry review:-

"During 1980 the then Victorian Employment Committee funded some co-operatives on a limited basis and, as a result of this experience, recommended to the Government that a systematic program with clear objectives be established. The co-operatives funded by the Victorian Employment Committee were the Maryborough Bootstrap Trading Co-operative, the Box Hill Workforce Co-operative and the Loch Ard Trading Co-operative. The Victorian Employment Committee was replaced by the Ministry of Employment and Training in December, 1981, and funding was also made available to the Maryborough Producers and Recycling Co-operative, and the Brunswick Work Co-operative. Funding of these co-operatives was based more on the aspirations of the groups than clearly articulated business principles and practices. In a subsequent review of the co-operatives by the Ministry it was realised that the viability of the co-operatives depended more on business planning than social aspirations."

#### ESTABLISHMENT OF CDP

On 26th April, 1981, the Minister for Employment and Training, the Honourable B. J. Dixon, , announced the establishment of the Co-operative Development Program. The first group of co-operatives funded under the Program were the Loch Ard Trading Co-operative, Warrnambool, the Brunswick Work Co-operative, the Box Hill Workforce Co-operative, and the Ballarat Employment Co-operative. All the groups, except Ballarat, had been funded by the VEC. However, before further funding was made available by the Ministry they were required to begin developing sound business principles and practices. The difficulties of these groups in understanding and meeting the conditions of the Program led to the revision and clarification of the guidelines, and on 18th August, 1981, new guidelines were issued. The revised Funding Conditions made it quite clear; the Program funded potentially viable co-operative business enterprises and was not interested in welfare co-operatives - co-operatives which were based on welfare assumptions and aspirations, e.g. supporting the unemployed. By now the Program was beginning to attract potentially self-supporting groups whereas the original co-operatives formed under the Program tended to be welfare-based.

#### FORMAL RE-LAUNCHING, REVISED OBJECTIVES

In August, 1981, there was a formal re-launching of the Co-operative Development Program, with the revised objectives outlined in the next chapter of this Report.

The second group of co-operatives funded under the Program were Learning Exchange(Malvern), Goldfields Community Radio Co-operative (Castlemaine), the Essendon Job Creation Group, Disabled Workers in Shepparton, the Frankston Motor Cycle Park Co-operative, the Turkish Women's Association, and Public Images of Williamstown. The proposals from this second group of co-operatives were initially more business orientated than proposals from the earlier groups and three groups (Public Images, Turkish Women's, and the Disabled Workers) could be described as self-initiating worker-based co-operatives.

HISTORY

## FORMAL RE-LAUNCHING, REVISED OBJECTIVES Continued

However, they did not live up to their earlier promise. The co-operatives at Williamstown and Frankston were being supported by joint efforts of the Neighbourhood Employment Development Project Officers and the Brotherhood of St. Lawrence. Project Officers supervising the Box Hill Community Co-operative were re-deployed and it collapsed. Ballarat were slowly developing a co-operative which was triggered off by the Maryborough and Loch Ard, Warrnambool experience. These in turn triggered off Brunswick Italo Australian, Geelong Contracting, Stawell, the Turkish Women's and Wanderfood Co-operatives.

## LABOR GOVERNMENT

In 1982, the incoming Labor Government decided to continue the Program "so as to consider its potential for future policy initiatives".

By 1982 there was open recognition that the Program was in an evolving, experimental phase as both co-operatives and Ministry identified new issues. Thus in a review at this time, the Program Co-ordinator wrote:-

"The changes to the Co-operative Development Program have been in response to the experience of implementation and incremental increases in enforcement procedures. The Program has adopted a developmental approach by responding to demonstrated need and increasing the expectations from co-operatives within their developing capacities. It has been an ongoing principle, however, that co-operatives funded must have the potential to become self-sufficient within a necessary lead-time for their establishment and development as business ventures. Funding, therefore, has been consistent with business principles and practices yet flexible to different circumstances and needs."

There had been a number of co-operatives in existence before the creation of the Program. Backyard Press had existed for 2 years and Correct Line Graphics for some 18 months. Bendigo Co-operative, Loch Ard and the Goldfields Community Radio Co-operative also came into this category. All of these made successful submissions to the Program for funding.

## SUPPORT TO CDP

In June, 1982 the Education and Training Unit was formally established and located in the Vocational Guidance Centre where the person in charge had first hand experience in participating in a co-operative. Later the Business Advisor was appointed and based at the Co-operative Federation of Victoria.

In 1982, the budget level for the Program was set at \$600,000 for the period 1982/83.

HISTORY

SUPPORT TO CDP Continued

In October, 1982 the budget was increased by \$250,000 reallocated from other areas of expenditure.

In February, 1983 the Department initiated an internal review and requested submissions from the co-operatives themselves.

In April 1983 the Department, in conformance to the policy guidelines of the Program, called in submissions from outside consultants to undertake an evaluation of the Program. This evaluation is the subject of this Report.

## CURRENT SITUATION

The Program currently funds 19 co-operatives with further ones approved for funding in 1983/84 if funds are available. Of these co-operatives, half are worker co-operatives and half are community based. The funds allocated in 1982/83 vary between co-operatives from some \$5,000 to \$78,000 and comprise part loan and part grant finance. There is a moratorium on the payment of interest and on repayment of loans.

Proposed co-operative ventures must be either community sponsored or instigated by groups of workers. Stringent economic viability criteria must be met, and a feasibility study undertaken that provides detailed financial and market information. Financial feasibility and self-sufficiency within three years are the major requirements of the Program. Where appropriate, the Program will fund detailed feasibility studies by outside organisations.

In addition to financial viability, the project must be based on a co-operative structure and this structure must add something to the project so that it is seen to be different from a normal private enterprise organisation carrying out the same business. All applications are vetted by a Funding Committee that includes representatives of the co-operatives in addition to relevant Ministry and other Victorian Government officials, a representative from the Co-operative Federation of Victoria and the Small Business Development Corporation. This Committee makes recommendations for funding to the Minister of Employment and Training.

Approved funding is released on a schedule set by the Funding Committee against supporting progress reports from the co-operative showing allocation and amounts of expenditure.

The co-operatives report monthly providing profit and loss accounts, balance sheets and cash flow statements and other relevant information. This detailed information assists the Ministry in determining whether any additional assistance is required.

HISTORY

CURRENT SITUATION. Continued

Assistance is supplied by two bodies:-

1. a Business Advisory Unit, located within the Co-operative Federation of Victoria, with one person.
2. an Education and Training Unit based within the Vocational Guidance Centre, R.M.I.T. , employing 2 persons.

In addition, outside consultants are used by the co-operatives and may be funded by the Program.

## CONCLUSIONS ON THE HISTORY OF THE PROGRAM

1. The Program has been experimental.
2. It has evolved, been modified and developed a range of organisations within loosely defined guidelines and a flexible funding policy.
3. There has been recognition from the start of the need to address economic viability through Program and funding guidelines.
4. To assist the co-operatives, there are support services and a review system, via the Funding Committee, based on monthly reports.

Around the world major industrial countries are undergoing a combination of recession and deeper structural change. Interpretation of causes, the nature of the process, the results and what should be done vary with the views of the beholder. Most would agree that de-industrialisation, major technological change, rapid industrialisation of other countries, energy costs, ever-rising expectations and other forces have shaped the situation.

The results are expressed in the Introduction to the ALP Employment Policy:-

"Australia is currently faced with the worst unemployment situation since the Great Depression of the 1930s.

Almost 540,000 Australians, or 7.8% of the labour force, are officially recorded as unemployed. This represents a staggering increase of 60% over the past seven years, and with employment opportunities expected to decline during the coming year, the official level is likely to rise to more than 600,000 by the end of 1982-83.

But this is not the full extent of the unemployment cancer which is afflicting Australian society. The actual level of joblessness is probably double the official figure if we also account for the "hidden" unemployed i.e. those Australians who want jobs but are not actively seeking employment in a labour market where the chances of getting work are remote.

Long-term unemployment has become a problem of major proportions. Those who cannot get jobs can now anticipate an average period of unemployment of 7 months or more than double the average unemployment experience in 1975. We also face the unpalatable fact that over 100,000 Australians in the labour force have been without work for longer than 9 months.

The economic and social consequences of such massive and prolonged unemployment are immense.

We are foregoing at least 15% of our productive potential and substantial amounts of taxation revenue as a result of the under-utilisation of human resources. At the same time, we are devoting over \$1.8 billion or 4% of all Commonwealth Government outlays to payment of unemployment benefits.

The appalling increase in poverty since the mid-1970s has been largely a result of worsening unemployment and the ever-widening gap between unemployment benefits and the poverty line. There can also be little doubt that unemployment has been a major factor contributing to such social problems as homelessness, alcoholism, family breakdown, crime and suicide.

Labour is committed to restoring and maintaining full employment as a major policy priority.

We acknowledge that the task will not be a simple one. A substantial increase of at least 110,000 jobs and a growth in real output of 4% will be required each year just to prevent unemployment from increasing further. Unemployment caused by structural factors such as technological and industrial change can only be remedied through the implementation of longer-term manpower and industry policies.

Currently, over 230,000 Australians have been out of work for at least 3 months, and more than 96,000 have been jobless for over 9 months.

#### CONCLUSIONS

1. The problems are well known, substantial and encompass the full range of macro-economic issues.
2. The solutions are much less obvious and likely to be an accumulation of many tiny micro-economic progressive steps.
3. The CDP could provide pointers to wider policies to generate long term job creation but only if funded co-operatives firmly and effectively address economic viability.

## Section Eight

### THE POLICY FRAMEWORK

In order to place the Program in the relevant policy context of the major interested parties, Federal and State Government, business and Trade Union views, reference was made to a variety of sources.

From the viewpoint of a Federal and Victorian State Labor Government it is best to place the Program in the context of two main strands of policy :-

1. Economic policy on employment, inflation and economic growth;
  - so widely debated and known as not to warrant detailed comment here.
2. Policies on industrial democracy.

We could look at overlapping policies on the Arts, environment, social welfare and many others but will hold to these two with the second as the subject of our main comments.

### EMPLOYMENT (AND INDUSTRIAL DEMOCRACY) THE ALP VIEW

The 1982 ALP platform policy statement on policies for improving employment opportunities read. (Amongst other entries)

"These policies will included:-

Specific employment-generating programmes developed in both private and public sectors of the economy on the basis of direct Federal expenditure, grants to the states and territories, assistance to local government bodies and other non-profit organisations, and incentives to private enterprises. These programmes would be primarily directed at those disadvantaged groups and areas in the labour market which would benefit least from a general improvement in employment opportunities.

Measures to ensure employment levels and conditions are effectively accounted for by industries and enterprises which receive government assistance.

## THE POLICY FRAMEWORK

### EMPLOYMENT (AND INDUSTRIAL DEMOCRACY) THE ALP VIEW Continued

Examination of, and consultation with unions and employers in relation to, changes to work structures in the traditional workplace, where these provide viable avenues for improving employment opportunities and allow greater flexibility in working patterns without detriment to the availability and conditions of full-time work; and encouragement for the development of legitimate new areas of work activity such as self-employment and worker co-operatives."

### INDUSTRIAL DEMOCRACY THE ALP VIEW

The 1983 ALP policy statement on industrial democracy said :-

"Industrial democracy is a natural extension of the democratic right of working people. The greater participation of workers in decisions affecting their working lives will lead to greater job satisfaction and will provide opportunities for the more efficient operation of enterprises.

It is desirable for employers and employees to be encouraged to be involved in genuine industrial democracy projects which achieve a sharing of power and responsibility between management and employees within an enterprise or industry.

These projects should be designed so as to allow for the special needs and features of the industry or enterprise concerned.

A Labor government will encourage and support industrial democracy schemes based on the following principles and objectives-

- a. the right of workers to have a say and influence in decision-making within the workplace and/or the enterprise without fear of recrimination;
- b. the active involvement and support of the union movement in the development and operation of industrial democracy programmes;
- c. access by employees to information concerning the operation and viability of organisations in which they work. A free flow of information is crucial to the success of industrial democracy schemes and will provide employees an opportunity to consider matters important to them in a thorough and reasonable way;



INDUSTRIAL DEMOCRACY THE ALP VIEW Continued

- d. industrial democracy schemes shall be developed having regard to the individual needs of the industry or enterprise concerned and to the social and human needs of the workers in the industry or enterprise. The schemes may be of a representative and/or participative form.

Representative forms of industrial democracy entail worker representatives being elected by workers in an enterprise to committees, councils, decision-making bodies and boards of the enterprise. Participative forms of industrial democracy involve self-managing groups of workers or semi-autonomous work groups at all levels within an enterprise.

In order to promote industrial democracy, a Labor government will-

- a. review, in consultation with employers and the union movement, existing legislation so as to ensure that any obstacles to industrial democracy in the legislation are removed;"

Thus co-operatives were seen in this wider context of industrial democracy.

The content of such democratic participation was expressed in the 1982 ALP platform statement as follows:-

"Promoting and where possible establishing the rights of employees to participate in the process of developing and implementing industry policy at the enterprise level, with particular emphasis on decision making in new technology, employment, work organisation and industrial health and safety."

CO-OPERATIVES THE ALP VIEW

The 1983 ALP policy statement reads:-

"CO-OPERATIVES

Labor will provide the funding necessary to encourage the development and formation of co-operatives that offer employment opportunities.

In addition we shall create a small flexible administrative unit to assist and advise newly formed job creation co-operatives

## THE POLICY FRAMEWORK

### CO-OPERATIVES THE ALP VIEW Continued

This unit within the Small Business Development Corporation will act in conjunction with the office of the Registrar of Co-operatives as a source of legal advice, financial guidance and management skills for groups which are interested in setting up employee-owned co-operatives, either as completely new enterprises or as new structures for enterprises which already exist."

Under the heading 'Alternative Approaches' the Employment Policy has this to say:-

"Labor acknowledges that, given the magnitude of the unemployment problem, it will be necessary to develop more radical avenues for creating additional work opportunities.

Some of the areas which Labor intends to investigate and develop will include:-

The feasibility of developing a national program of worker co-operatives, using the NSW Government's Worker Co-operative Program as a starting point and drawing on European experience with this form of business venture."

### CO-OPERATIVES THE TRADE UNION VIEW

The Trade Union view is perhaps best expressed in terms of the:-

Statement of Accord by the Australian Labor Party and  
The Australian Council of Trade Unions Regarding Economic Policy.

The introduction says:-

"It is agreed that the fundamental feature of the prolonged and worsening economic crisis both here and overseas is that, for the first time in our history, we are experiencing simultaneously high levels of unemployment and inflation. This occurrence was not foreseen by economists and has caused great difficulty and uncertainty for governments in all countries in determining an appropriate economic policy."

THE POLICY FRAMEWORK

## CO-OPERATIVES THE TRADE UNION VIEW Continued

Later in the body of the Accord we read:-

"Adjusting to change"

The parties concur on the necessity for change to occur in Australian industry if growth is to be maximised in the longer term. The adjustment to change and the attainment of the objective of full employment will be more easily attainable if policies facilitating change are integrated with general economic policies via the planning mechanism.

Of particular relevance in the short term are the following initiatives:-

- the alarming state of the labour market means that the generation of jobs and the provision of funds for employment is of fundamental importance
- job creation programs which are equitably administered will be introduced
- Access to finance for industry will be improved by increasing the availability of funds in Government industry finance institutions".

"ACTU Congress Policy Decisions" on Industrial Democracy

Congress notes that the trade union movement has affected the distribution of power in society. However, with greater educational attainment and awareness of the maldistribution of power in society, the process of redistributing decision-making power in the community must be intensified. Industrial democracy redistributes power within the enterprise whereas participative economic planning redistributes power within the nation.

Congress supports industrial democracy because it extends democratic rights and is of direct benefit to workers. Congress is opposed to changes in the organisation of work which do no more than provide management with an additional tool to control the operation of enterprises.

A rapid transfer of decision-making power to workers could not be readily achieved in Australia as workers have been alienated from the decision-making process throughout the history of capitalism. In the light of this factor Congress recognises the rich diversity of experiments in industrial democracy both overseas and in Australia. While the introduction of industrial democracy must be tailored to Australian traditions and environment, it is counter productive to specify a detailed model of industrial democracy which must be followed by all unions in all industries.

The special features of the various State industrial relations systems and the diversity of Australia's industrial structure emphasises the need to allow for variation in the forms of industrial democracy.

Congress, therefore, concludes that it is desirable for unions to be encouraged to be involved in industrial democracy projects which allow for the special features of the industry or enterprise concerned. The overriding consideration is that these projects are designed to redistribute power so as to achieve greater equality of power within the enterprise

"ACTU Congress Policy Decisions" on Industrial Democracy (Continued)

or industry.

1. Definition

The principle of industrial democracy is concerned with the provision of opportunities and the right of workers to have an increased say and influence in the decision-making within the workplace without fear of recrimination. This principle means that the trade union movement should no longer accept the concept of the "master-servant" relationship and the inequalities that the "master-servant" relationship implies.

The development of industrial democracy will take the form of "representative" and "participative" democracy.

"Representative" forms of industrial democracy shall include worker representatives being elected by unionists involved in the enterprise or the undertaking on committees, councils, decision-making bodies, and boards with workers having rights of consultation and negotiations with all decision-making bodies. "Representative" forms of industrial democracy can take place at all levels of the enterprise or undertaking.

"Participative" forms of industrial democracy shall mean self managing groups at all levels within the enterprises.

The "representative" and "participative" forms of industrial democracy shall involve workers in determining their work environment and enterprise objective. The forms of industrial democracy shall also take account of the social and human needs of the workers of the enterprise or undertaking."

Points to note include:-

- industrial democracy redistributes power within the organisation.
- power can come from ownership, control, and or executive authority (it can also arise from personality, the term 'influentials' is often used in co-operatives).
- This policy appears to recognise the crucial difference between having power and the means of application because of the comment

"It is counter productive to specify a detailed model"

and later:

"unions to be encouraged to be involved in projects which allow for the special features of the industry or enterprise concerned."

As we perceive it, this indicates a recognition of the need to tailor the means to the conditions of the situation.

- Representative and participative forms are differentiated (but not seen as mutually exclusive or automatically complementary).

## CO-OPERATIVES THE TRADE UNION VIEW Continued.

1. Definition

- Participation forms (which many co-operatives attempt) are seen as "self-managing groups within an organisation".

Note, this does not say, running the organisation as a self-managing group, (the 'collective' approach).

## MESSAGES DERIVED FROM ALL THE POLICY STATEMENTS

From the above we can identify some conclusions (and questions) for this Study:-

1. Job creation - of more than short term nature is stressed.  
(A CDP aim)
2. Accountability - for moneys provided to industries and organisations is a recognised principle in ALP policy. (We examine this issue in this Report).
4. ALP policy (1983 Industrial Democracy Item 49) gives a commitment to review existing legislation to remove obstacles to industrial democracy. (See Summary of Conclusions and Recommendations).
5. On support for co-operatives, 1983 ALP policy on co-operatives focussed on:-
  - Funding to encourage the development and formation of co-operatives that offer employment opportunities.
  - Creation of "a small flexible administrative unit to assist and advise newly formed job creation co-operatives within the Small Business Development Corporation.  
(See Validation of The Program and Summary of Conclusions).
6. The ALP - ACTU Accord focussed on short term action:-
  - job creation projects, (see Policy Options),
  - improving availability of funds in Government industry finance organisations, (see Validation of the Program).

OPPOSITION POLICY

The official State Platform of the Liberal Party of Australia, Victoria Division, as approved originally by State Council July, 1978:-

"IV; Business and Enterprise

The Liberal Party will seek to fulfill the following principles:-

8. Positive action to encourage maximum participation by Australians in equity capital.
11. Actively promoting management methods which encourage employees to enjoy their work and to dignify the tasks of all people in the work place."

OVERALL CONCLUSION

Thus with a Program started by a Liberal Government, supported by a Labor Government and with support for its principal aims from Labor, ACTU and Liberal view points, the stage should be set for encouraging co-operatives as a distinct sector of the economy and more particularly, encouraging worker co-operatives under the broad heading of common ownership.

THE CONCEPTUAL FRAMEWORK - DEFINITIONS AND ASSUMPTIONS

This is a crucial section of this Report as fine distinctions in interpretation of key concepts have vastly different consequences not least for policy choices.

We assume a certain familiarity with the subject on the part of the reader. This section defines some terms in especially frequent or significant use in this Report and draws conclusions on their application to the co-operatives funded by the CDP.

1. A CO-OPERATIVE

A co-operative is any business organisation which is owned and controlled through its members. The members are those who participate in the business as consumers, workers or producers. Membership usually requires the payment of a membership fee. The profits are distributed to the members on the basis of patronage (buying at, working at, or selling through the business). Control of the business is exercised by the members through election of the Board of Directors on a one person/one vote basis.

N.B. The definition says owned and controlled not "or".

The significance is that both must exist to have an independent 'viable' co-operative. (In both the business viability and human, social organisational concepts of viability).

Owned: We take to mean that no one else has an economic stake through which they can exercise control or influence decision-taking by pressure or perceived authority.

and  
Controlled: We take to mean that the destiny of the organisation is in the hands of those in the organisation. No influence, responsibility or control is exercised by an outside organisation because that changes the nature of the operation. In such cases, some co-operative characteristics may remain as outward trappings but in reality the organisation is transformed.

(Perhaps into an 'aid distribution agency' or and 'extension of the Ministry' or an 'employment enhancement/job creation scheme').

## 2. CO-OPERATIVE PRINCIPLES

These principles became a model of co-operative structure and are broadly the same as those of the International Co-operative Alliance today. These are:-

- (i) Membership of a co-operative should be voluntary and open to any person willing to accept the responsibility of membership.
- (ii) Co-operatives are democratic organisations: they are to be administered by people elected, or appointed, by members and have to be accountable to them. All members are to have equal rights - one member, one vote.
- (iii) Share capital should receive only a limited rate of interest.
- (iv) Operational surplus, if any, is to be distributed for the benefit of members according to their labours, not capital, input.
- (v) Co-operatives should make provisions for the education of members in principles and techniques of co-operation in both economic and organisational matters.
- (vi) Co-operatives are to co-operate actively with other co-operatives at local, national and international levels.

N.B. There is no given pattern of industrial democracy, participation or other decision-making process.

i.e. collective decision-making involving more than the Board is not an essential feature of a co-operative.



## 3. TYPES OF CO-OPERATIVES

- i. Worker Co-operatives are co-operatives in which the members have joined together to produce goods and/or services for sale. The workers, being the only members of the co-operative, elect the Board of Directors and share whatever profits are earned by the business.
- ii. Consumer Co-operatives are co-operatives whose members have joined together in order to purchase goods and/or services. The most familiar consumer co-operatives are those established to provide food and housing. Credit Unions are specialised co-operatives, designed on similar lines to the banking industry.
- iii. Marketing or Producer Co-operatives are co-operatives whose members are privately owned businesses or individual business people who join together to sell their products or services collectively. These co-operatives range in size from a storefront craft co-operative to the large agricultural marketing co-operative like Dairy Farmers etc.

General Comments

1. None of these definitions has any set pattern of decision-taking as an essential prescribed element.
2. There is a correlation between the nature of the membership group and the economic benefit they derive from the co-operative.

This is important to the concept of another supposed type of co-operative, the "community based" co-operative which often does not fit with this concept, which has social not member economic aims.

- Workers in worker co-operatives derive economic benefit through sharing in earnings.
- Consumers in consumer co-operatives derive economic benefit from lower prices.
- Producers in marketing co-operatives derive economic benefit from better selling.

## 3. TYPES OF CO-OPERATIVES

General Comments. Continued

- A community member of a 'community co-operative' often derives no significant economic benefit from membership. This is true of most but not all funded community backed co-operatives. The person contributes for reasons of altruism, or other motives, selfish or unselfish, but lack of an underlying personal economic rationale for involvement in most cases is significant in understanding why many initiated as community co-operatives progress to become based on some other interest group.

The term is descriptive in one way but is not a valid classification of co-operatives and should therefore be dropped. Instead consumer co-operative, social organisation, or whatever as the correct classification should be used.

'Conversion' co-operatives is also a potentially misleading terminology. This secondary degree of classification must apply to a business going through conversion from another form of ownership and control to a worker, consumer or producer model.

## 4. CO-OPERATIVENESS

Funding of a number of organisations is justified on the basis of their supposed 'co-operativeness'.

There is an underlying false assumption that certain social attitudes, aims, aspirations or values\* correlate with incorporation in co-operative form (formally or de facto) and therefore justify the organisation being treated as a co-operative even if its priority aim is not independent self ownership, self control, and it is not, in reality a co-operative.

\*e.g. concern for the environment; radical attitudes on social issues.

There is no such automatic correlation. Co-operatives and their memberships, from overseas evidence, are in the main purely commercial organisations. Political aspirations and social values reflect the background and trends of the society in which they are found. Funding on the basis of particular orientation is no guide to the prospect of a group turning into an economically viable independent co-operative in the strict normal definition.

## 4. CO-OPERATIVENESS

They do not become co-operatives by stitching that label upon them and the term co-operativeness should be reserved for orientation towards autonomy, self sufficiency, self ownership, self control and freedom from dependency on external funding.

The term 'social' best describes organisations of social priority aims and is defined later in this section.

## 5. EQUITY AND DECISION MAKING

Equity is the key to the distinction between co-operatives and conventional business. We use the term to refer to the capital stake(s) invested by members in a co-operative.

The important differences exhibited by co-operatives are in the exercise of control and ownership and hence differences in decision-making style. In a conventional corporation the right to elect the leadership of the organisation and share in the profits is based on owning a percentage of the company through the purchase of shares of stock. The number of shares you own determines the number of votes you have in the election of the company's Board of Directors. The shares also determine your percentage of the company's profits.

In a worker co-operative, the right to elect the company's Board of Directors and to share in the profits of the company is based on being a member of the company's work force and paying a standard membership fee. Each co-operative member has one vote in the company election and shares in the profits on the basis of the formula established by the total membership. This formula is based on partronage (hours worked or total salary).

Here on detects underlying assumptions that:-

- A Board is necessary as a policy decision-making body.
- The definition of a co-operative structure of decision-making operates from this minimal distinction (a base line difference from capitalist enterprise) that employees elect the Board and thereby indirectly determine policies they impart on them personally. There is no inherent necessity in this picture of a co-operative to go into worker participation in executive level of work organisation decision-taking.

## 5. EQUITY AND DECISION MAKING

We would see it as an extremely demanding thing to attempt, in the crucial stages of setting up a new organisation, to launch into collective decision-taking at all levels.

The significant factor is to elect the Board. One need not prescribe any form of industrial democracy there after.

This raises another assumption; that the principles of a co-operative structure can apply (equally in total) to all stages of organisations at all stages of development and whatever the activity, technology or operating mode of the business. This we question, particularly on employability enhancement/job creation schemes.

Decision-making often crops up in discussions of collective ownership and control as if all of one nature. Reference is made to the ACTU comments in the policy statements.

We suggest that three basic elements should be kept in mind:-

- policy                      e.g. where to go, in broad direction,
- executive                      how to get there,
- work                      what tasks need to be done by whom,  
organisation                      when, where, how.

Conventionally,

the Board sets policy,

management decide the execution of the policy,

supervision (and/or workers) decide work organisation.

#### Collective Decision Making

In contrast to conventional decision-making, some funded co-operatives operate at the extreme idealist end of the spectrum of participation, where an attempt is made to allow all to have a say at all times on all issues whether policy, executive, or work organisation. This goes well beyond the more usual forms of industrial democracy and causes stresses in a number of the co-operatives.

## 5. EQUITY AND DECISION MAKING

Equity Formation

The literature on the subject highlights equity formation, growth and adequacy as lasting concerns of co-operatives.

This is due to:-

- the philosophical emphasis is on labour not capital,
- lack of a personal incentive to maximise return on capital so no motive to invest exists,
- the sensible fear of all eggs being in the one basket,
- lack of clearly defined mechanisms for generating or increasing the capital base.

Underlying Thought Processes.

Many of these points assume that because in co-operatives 'labour controls capital, not the reverse', labour can ignore capital. Capital is seen as money in the sense of a medium of exchange and not as a store of accumulated value for the common good.

The difference between 'profits' (meaning distributed profits to owners of capital) and 'profit' as the more general term meaning surplus of income over outgoings is not recognised.

Hence a frequent inability to understand that there is a need for a sufficient surplus to cover the needs for:-

- more of a capital base simply to keep pace with increased cash flow demands generated by inflation alone, far less growth,
- re-investment to offset depreciating plant, equipment, skills, lost client contacts etc, etc,
- investment to generate more activity and create those long term job opportunities.

Thus capital is seen as a negative end and is not appreciated as a means to allow co-operatives to achieve their aims.

## 6. INDUSTRIAL DEMOCRACY

(Taken to embrace industry; commerce; organisations providing goods or services for reward).

Reference to the section of this Report outlining the current policy framework for research work on the subject will highlight that the key word we should focus on in the phrase is industrial.

i.e.: The framework and content considerably affect the nature of the process.

Put briefly, we are concerned with decision-making within the framework, parameters and constraints of an organisation's economic system, which is complete and self-sufficient in itself, (i.e. it is not subject to outside economic subvention, control, management, financial demands or contributions different from those experienced by an organisation of similar situation).

The existence of these boundaries to the decision-making process, give it significance. They force choices (decisions), crystallise thinking on priorities and on aims, cause the re-examination of views, attitudes, values and arguments and impose responsibility and accountability.

Take away those constraints and one is not dealing with industrial decision-making democracy in the sense that the bulk of industry or commerce would recognise. If one constraint, scarce resources, is considered a variable then one is no longer dealing with industrial democracy but with an intermediary transferring resources from the donor to the chosen recipients.

## 7. VIABILITY

### 1. Economic Viability

This is at the core of the debate on co-operatives' prospects.

One can attempt to describe when an organisation is viable or potentially viable by describing conditions that will exist (e.g. 'symptoms', or revealing indications) when viability is achieved or can be achieved. Since we are attempting to define a balancing nexus in a whole set of interacting variables, set inside a constantly changing environment, one might as well try to describe the appearances of an atomic particle.

## 7. VIABILITY

1. Economic Viability

This is not to say that we can not isolate and describe some key variables and use these criteria as indicators ("dials") by which we can identify the state of the organisation at a given time, make choices as to policy options, monitor progress and arrive at conclusions.

This we have attempted to do by creating a set of economic viability criteria.

## A. The more quantifiable financial measures.

Here we set out the suggested criteria and give some explanation of what aspects of economic activity they indicate.

## B. Human aspects.

These are critical to the continued existence, ability to define a future and achieve it, operate effectively, learn and adapt.

Though not financially quantified measures they can be rated to give relative comparisons of status or progress.

Viability Criteria

## A. Quantifiable Financial Measures

<u>Definitions</u>	<u>Explanation of what is Measured</u>
1. The nett economic activity generated by the co-operative <u>itself</u> (excluding the effects of CDP funding) in terms of analysis of the past as well as projections as to the future, both in terms of profit and loss as well as cash flow figures.	Unless one knows the true nature, 'base line' size, dynamics of the organisation one is looking to aid and the relative size of aid to the organisation's own activity the one may not be aware of consequential effects (e.g. large aid to small core of activity could distort the business).
2. Nett profitability (no funding included in calculations). - As percentage of sales. - Return on funds employed.	How was the organisation doing <u>before</u> (or without) funding (also how would it do in the future without funding).
3. Distance from break even point on profit and loss and on cash flow projections: - In time. - Measured as percentage of present sales revenue to revenue required to break even. - Measured by further support required from Government to reach break even - currently committed. Or, - supplementary funds potentially required.	A measure of relative progress, taking break even as a step on the way to full economic viability.
4. Dependence on Government funds from all sources. - As a percentage of all income.	A measure of how much control, influence, 'ownership' as elsewhere outside the co-operative. (This can depend on their nature; grant or interest bearing loan).
5. Application of Ministry (or all Government) funds to fixed assets (percentage of total).	There is a very different picture if money goes straight through the organisation as expenses or has created assets.
6. Current pricing policy - - relative to market competition - Total and percentage difference between current prices and market competitors prices - relative to marketing strategy - relative to overhead recovery	Indicates possible existence of subsidisation of customers.



## A. Quantifiable Financial Measures Continued

<u>Definitions</u>	<u>Explanations of what is Measured</u>
<p>7. Payment of Award rates or market competitive rates.</p> <p>Total Percentage difference</p>	<p>Indicators possible existence of a degree of self-exploitation in the form of subsidisation of the organisation by its employees.</p>
<p>8. Solvency and credit control.</p> <p>Ratio of creditors to debtors.</p>	<p>Mr. Micawber's principle "Income 20 shillings; expenses 19/6; result happiness. Income 20/- expenses 20/6 ; result misery"</p>
<p>9. Fixed and variable overheads control</p>	<p>The degree to which the organisation can alter some key cost parameters. Without measurement there is little prospect of control.</p>
<p>10. Potential Impact</p> <ul style="list-style-type: none"> <li>- if no Program funding was made,</li> <li>- if halting Program funding,</li> <li>- more generous funding was provided,</li> <li>- funding by repayable loan on favourable terms.</li> </ul>	<p>Alternative hypotheses which highlights the degree of overall viability.</p>

## B. Human Resources Aspects (more qualitative indicators)

Indicators	Implications of what is Measured
<u>Economic Performance</u>	
1. Willingness/ability to increase members equity stake.	Limited equity and an inadequate capital base are frequent problems of co-operatives.
2. Access and ability to obtain commercial funds.	This reflects potential for overcoming this problem.
3. Relevant, applied management skills (in broadest sense).	Ditto plus dependence on Government funding.
4. Relevant, applied technical skills and technological base.	Obvious.
5. Existence of a marketable product/service.	First part is obvious, second part is concern for current or future relative competitiveness of the organisation.
6. Marketing and sales orientation.	An essential prerequisite but depends heavily on human perception and ingenuity.
7. Employee morale, motivation and productivity.	Creation of demand for goods or services is more challenging than their supply.
8. Leadership and realistic planning.	Obvious.
9. Crisp of survival/sufficient surplus concept.	Necessary to generate a future for the organisation.
10. Avoidance of legal, regulatory, Trade Union problems.	Survival not profit maximisation is the key aim.
	To survive requires some surplus (left over) money for re-equipping, launch of new products, to counter inflation, to re-skill or whatever else may be needed to survive economically.
	Most co-operatives are new businesses. Keeping out of trouble at the early critical stages is crucial. The essence is applied commonsense and good general understanding.
<u>Social Performance</u>	
1. Cohesion, consensus and shared values.	Centripetal factors holding the group from disintegrating.
2. Leadership and realistic planning.	As a human group, these qualities are needed to generate a future for the group as a group.

## 7. VIABILITY

Social Aims and Social Viability

Is a term we have devised to cover an organisation of co-operative form (worker, consumer or producer, whether community backed or not), which is:-

- Operating below economic viability now and has severe restraint on potential to achieve economic viability in a specified time span into the future. (E.g. two years?)
- Overtly setting as priority an aim of conveying a benefit (lower prices, better services or whatever) to some third party (normally customers, or suppliers).
- Capable of producing convincing arguments that the recipients of benefits are worthy of support which the cooperative will transmit from donor (Government) to recipient.
- In all other respects operating on cost minimisation, productivity, organisational effectiveness policies acceptably compatible with democratic decision-taking.

i.e. This concept:-

- Accepts that a degree of responsibility, authority and accountability will be shared between cooperative and Government, (but should be minimal intervention).
- Is based on the principle of shifting from hidden subsidisation to open, calculated and controlled subsidisation by the Government using the cooperative as an aid distributing intermediary.
- Criteria for support of the aid recipient will also be rendered an overt issue and policies will be established to allocate scarce funds.
- Concern for business efficiency by the cooperative will remain undiminished.
- This option is a short to medium expedient until the organisation gets under way or evolves into some other form.

There is a risk that in attempting to define an organisational form and situation that has occurred in the Program we imply approval or disapproval. We do neither, we seek to define possibilities more accurately.

8. SUB-OPTIMAL OPERATION (Closely allied to 'social viability' but does not necessarily follow).

This term is used to describe a situation where the business often exhibits the following characteristics:-

- Overall performance is such that continued injections of funds are needed to keep it going.
- There is inadequate working capital, cash flow problems, poor debtor and creditor control, poor financial management and lack of systems.
- Pricing policy is below market potential (often as a deliberate policy of subsidising customers via a cheap service).
- Possibly because of commitment to serve customers, or possibly because sub-optimal operation leads to poor usages, employees engage in self exploitation and subsidise the business (often they see the connection with pricing policy and view it as a contribution to the customers not the business).

The result is an unrecognised, 'leaky bucket' situation Government money is put in, most goes on current revenue expenditure and not as assets (investments), so it leaks out. The subsidised customers may, or may not, be in line with Government policies on assistance to particular groups. Progress to business viability is delayed or postponed indefinitely.

#### 9. OTHER DEFINITIONS

Other terms such as validation and evaluation are defined in the section of the Report on Proposed Methodology and in the section on Cost Benefit analysis.

#### CONCLUSIONS

Virtually the whole section embodies conclusions but we highlight the existence and the need to apply the following concepts in policy formulation:-

1. The principles of independence and accountability and their incompatibility with independence of Government funding.
2. Significant differences in types of co-operatives and why 'community based co-operatives' are often a transitional phase only unless members derive a direct economic benefit or service.

THE CONCEPTUAL FRAMEWORK

Continued.

## CONCLUSIONS. Continued.

3. The importance of adequate equity formation and expansion as a survival requirement of co-operatives. There is a need for education and for a Common Ownership Fund along NSW lines.
4. Co-operative structure certainly involves industrial democracy at Board policy-making level, it need not imply other forms of industrial democracy (representational or participative) and it decidedly does not automatically mean a collective decision-making approach at all three levels, policy, executive and work organisation.
5. There is a need for a legal framework to suit co-operatives particularly worker co-operatives.
6. Industrial democracy means decision-making within normal financial and other constraints, it does not refer to open-ended situations where external funding cushions the hard choices.
7. Economic viability can be described in terms of conditions that exist when it is achieved. A set of 'indicators'; viability criteria are provided which can be used to identify organisations for possible funding. They can be used to assess the potential of that organisation and to measure their progress.
8. To cover organisations that do not aim to achieve economic viability, which have a valid reason for continued operation as an aid distributor and may represent a desirable target for funding in certain conditions:-
  - They should not be funded on the basis of so called "co-operativeness".
  - They should be catered for by an appropriate Program with guidelines aimed at cost minimisation and benefit maximisation.
  - The end recipients of aid passed on by such a body should be overt and recognised. The amount transmitted to them should be set by overt Government policy, directed, planned, measured and controlled.

The social or other ends they seek should be funded by the relevant arm of Government and the funding should not be based on the fact that the intermediary has a degree of co-operative organisational form.
9. Government should aim to avoid hidden subsidisation and should subsidise directly on known accountable political grounds or not at all.

CONCLUSIONS ON THE FUNDED CO-OPERATIVES \*

BASED ON ANALYSIS OF ALL 15 FUNDED CO-OPERATIVES INDIVIDUAL REPORTS

1. Match to Program Guidelines

It quickly became apparent that Program guidelines had been relaxed to the point that only a small minority of co-operatives are within the original guidelines. This is acceptable in a formative experimental stage, but needs to be sorted out for the future. Otherwise the scope is so wide that the organisations are funded on the basis of the ends they seek to achieve (e.g. tree planting, better community radio) and not on any known definition of being a co-operative that we can find. Put another way, one could perhaps plant more trees, run a better radio service by funding a supposedly autocratic organisation which might in reality be run on more open lines than some of the co-operatives we observe in the Program.

2. Critical Issues

The critical issue turned out, in our perception, to be clashes of priorities on aims; not clashes of aim with aim.

The supposed or formal nature of the organisation as a co-operative (abiding by the strict definition) could be genuine or a secondary issue to some other priority e.g. supplying the 'gay' community with cheaper printing. This priority on use of a mix of aims could radically alter the de facto nature of the organisation e.g. to become an aid distributor in some degree of co-operative form.

Is co-operation the aim, or a guise for some other aim?  
Attention to the strict definition of a co-operative as owned and controlled ("in full" implied) by the members is all important.

Some argue for 'co-operatives' as dependents attached to Government indefinitely for social aim reasons. We do not accept this as realistic or desirable. The organisation ceases to be a co-operative.

There is every evidence round the world and over history that co-operatives have been autonomous independent member owned and controlled organisation. We can identify no circumstances to make Australia or Victoria an exception.

However, if there is a policy of using some semi co-operative body as an intermediary to pass on aid to sectional interests in the economy then this should be overt, planned, measured, controlled and directed so that Government sets the parameters knowingly and is not providing hidden subsidies on a false basis to intermediaries who may or may not be an efficient and effective means of conveying aid to the recipients.

\*NB: The tables referred to in the text are at the end of the chapter.

4. Legalities and Program Guidelines on Registration Continued.,

This is the subject of comment elsewhere. Some of those not registered are the new entrants. Equally, some of those registered as co-operatives are less "co-operative" in de facto terms than those registered as Pty. Ltd. companies. One has to look below the formalities to the actual operating reality. See the Table headed 'Analysis of Dates Funded and Registered as a Co-operative'.

5. Untypical Mix

We then looked at how typical a mix the funded group might be as regards the general economy.

Essentially they are most untypical in that the mix of co-operatives funded leans towards :-

	<u>and is not</u>
- very small business	- larger businesses (the exception is Bendigo, a customer based, atypical co-operative).
- labour intensive activities	- capital intensive
- the service sector	- manufacturing (one only)
- communication	- 'hard' core business commodities
- city and country town	- rural

This correlates with a tendency to be middle-class radical in levels of education, articulation, communication, and to some degree aspirations for social or political change (but not well off financially). As with the early stages in New South Wales, there is a leaning to the alternative life-style viewpoint, rather than pure traditional working-class Labor movement aims, aspirations, attitudes and values. This is a matter of subjective judgement but is strong enough to have been commented on in the Minister's speech of February 12th, 1983 on Employment Training.

6. Shift to Worker based control

There is a tendency for co-operatives founded as community based bodies (often with job creation as priority aim), to evolve into worker co-operatives on a de facto basis even if not formally restructured. On the other hand, worker co-operatives remain as such. We suggest that lack of firm economic interest in the community co-operatives and lack of day to day involvement by members, prompts this shift, except with broadcasting organisations where members perceive a direct benefit from a better service.

7. Available Skills

A common element in many co-operatives studied is the initial lack of relevant skills available in the workers' employed/involved. The cohesive force in the groups drawn together into a co-operative venture is, in the main, a response to a perceived social need - communication, unemployment or conservation, for example. Typically the group members are dedicated to the end but have limited, if any experience or knowledge of the means. The most obvious lack is in technical knowledge. An appreciation of the process of business management in a co-operative is usually absent. Financial planning and control is another area in which co-operatives lack expertise at their inception, and despite the efforts of their public accountant and the co-operative support units this handicap persists. This matter has serious implications in the structure and provision of advice and training. It has major implications for expectations on progress to viability.

14. Industrial Democracy

One of the main reasons for the failure of co-operatives in the past has been the negative attitude of the public towards them. This attitude is based on a view of co-operatives as being expressions of some kind of artificially subsidised non-productive and non-economic situations. Again, to balance that view, some in struggling situations are deeply seen and demotivated by circumstances but still view co-operatives as desirable. We accept the strength of positive feeling. The transferability to ordinary routine operation in industry and commerce at large, is an unresolved issue on which we received no constructive suggestions.

On worker democracy, we observed that 'influentials' or leaders still emerged carrying de-facto, if not formal, authority.

On welfare issues, we feel that co-operatives contributed greatly by providing a constructive channel for energies and pent-up frustrations. The suggested measurable inputs are on job retention, skills up-grading and employment enhancement. See Cost Benefit Analysis.

15. Dependency and Accountability

Many of currently funded co-operative groups started with or give highest priority to an end of some ideological/social/economic aim to which they wish to contribute. There is no quarrel with the aim as such, our concern is with the impact of that priority over others.

They adopt, as a means to that end, some commercial or semi-commercial venture. The easier thing to do is to supply goods or a service, there is little orientation to generating demand to buy it. They offer what they wish to sell or provide other than selling what the marketplace wishes to buy.

Next, they are often ideologically opposed to capitalism and/or have no significant understanding of business economics.

This leads to a confusion of the concept of capitalism with the concepts that apply to running a business whatever its structure, ownership or aims. They do not recognise that efficient business practices are a neutral methodology and not an ideology.

This leads to views that 'we have to do it differently', this throws the good out with the bad, e.g. They reject specialisation of function and fail to distinguish between types of decisionmaking with a co-operative in favour of open participation by all. Some push this to a form of collectivism where all members have a say on all issues at all times.

To a degree they have been given latitude in this by the CDP as the guidelines have been relaxed to allow emphasis on some aspects of co-operativeness at the expense of long term job creation which demands strict attention to independent economic viability, i.e. ownership and control by members.



15. Dependency and Accountability Continued.,

2. If the groups they subsidise are really deserving, then their case should stand on its own merits and be directly subsidised by the Government and not indirectly via the co-operative.
3. 'Sufficient surplus' (not necessarily distributed as a profit) is essential for future expansion, investment and insurance against the inevitable rainy day problem.

N.B.: Hidden subsidies:

The term is used in the economist's sense. It implies no suggestion of deception, merely that the subsidy is not overtly accounted for in operating costing, revenue and profit and loss accounts.

To a degree, we have found that the reality of what is happening is not revealed as funding submissions build-in anticipated Government revenue. If one strips out this artificial padding, one finds a much more limited core of economic activity generated by the co-operative's own efforts. If this is not actually or potentially sufficient to generate break even results, adequate cashflow, sufficient surplus etc., then the likelihood is that the organisation will become a dependent of the Government.

The provision of Government funding would allow the group to continue to exist, but :-

The submission and monitoring process has soaked up scarce time and energy, better directed to sales effort. (Supply is usually easier to create than demand, hence so many are over-stocked businesses or under-used services).

Instead of facing the issue of becoming entirely independent, autonomous worker owned and controlled businesses, some groups argue:-

1. Their *raison d'etre*, the end they exist to serve as a priority is 'a good thing', by supporting this aim they deserve support.
2. Co-operation of itself is quite sufficient justification for funding indefinitely.
3. "Viability does not mean an end to Government funding". (sic).

We see these arguments as lacking logic, force and conviction if we are dealing with Government policies aimed at creation of co-operatives which abide by the internationally accepted definition of a co-operative.

We know of no other definition which will fit these cases of dependency unless one relegates the co-operative aspect of their character to second place and describes them as, e.g.;

"aid distributors in co-operative form"

"job creation schemes in co-operative form"

"employability enhancement schemes run on co-operative lines"

Where co-operative "form" or "lines" means having some but not all of the characteristics of a co-operative. To cover the group, for brevity, we devised the term "social organisation" used elsewhere in this report.

#### 16. Conclusions on Dependency and Accountability

1. Unless the problem of groups of giving priority to secondary aims, rather than full co-operative principles, is recognised and handled in overt fashion, then there is no way one can check that resources supposedly allocated to promote co-operatives per se, are not in reality supporting their suppliers or customers (good, bad or indifferent according to viewpoint).
2. If allowing groups adopting a nominal show of co-operative structure to obtain resources on the basis of serving some sectional interest, then:
  - a) Economic viability may well be delayed or impossible
  - b) The Government is not controlling the amount, nature or appropriate distribution of the aid in targetted, planned fashion.
  - c) Encouragement is given to inefficient priorities, a false picture of economic circumstances, a degree of illusion and lack of realisation on the part of some of co-operative members. The result is the creation of attitudes and patterns of behaviour tending towards perpetuating dependency.

#### 17. Recommendations

1. If funding co-operatives, then do so strictly on their own principle of member owned and controlled.
2. Avoid dependency creation in the nature of accounting, monitoring, provision of the funds, provision of support resources.
3. As a key mechanism, lend money on favourable terms but generate an obligation to repay, commitment to economic viability, independence, self direction, ownership and control on the part of the co-operative.

#### 17 Conclusions on Issues arising from the Funded Co-operatives

1. The true nature of organisations is determined by the priority on aims.
2. Formal and de facto aims differ. We must go by de facto aims.
3. Concepts of economic viability can be used to assess organisations.
4. The lack of an appropriate legal framework for worker co-operatives particularly requires attention.
5. The lack of typical examples of "ordinary" industry or commerce makes extrapolation of lessons to such organisations difficult, if not impossible.

transitional phase for many who become worker co-operatives (the exception being organisations providing a direct community benefit).

7. Growth problems from lack of skill create a need for the support services to be strong, well positioned and effective on the basis of the staff's past achieved results to act as a counterweight.
8. Lack of conversion experience (Backyard's history is a minor, perhaps overlooked exception) limits comment on this subject.
9. Worker co-operatives exist and form a possible nucleus of a Program.
10. There is a problem of hidden subsidisation.
11. Consumerbased co-operatives who are likely to stay in that form and who could form a basis of a general program exist in the CDP. (Alternatively, comments on funding from other sources apply.)
12. Some co-operatives face severe threats to economic development.
13. Some co-operatives (in Program as "Leader of Last Resort") should not be funded by MEAT. Ideally they might be funded from other Government funds.
14. The standards achieved reflect the inadequacy of support services.
15. Dependence and accountability needs to be addressed by policy decisions.
16. Employee relations showed strong positive results.

These issues are dealt with in more general terms in the section of the Report on the evolution and validation of the CDP and are discussed in Policy Options.

CONCLUSIONS ON THE FUNDED CO-OPERATIVES

Tables referred to in the text of this Section:-

Table

1	CO-OPERATIVES PROGRESS
2	THE NATURE OF FUNDED CO-OPERATIVES
3	HISTORY OF FUNDED CO-OPERATIVES
4	ANALYSIS OF DATES FUNDED AND REGISTRATION AS A CO-OPERATIVE
5	ECONOMIC VIABILITY MEASURED BY BREAK EVEN POINT.

TABLE 3.

## HISTORY OF FUNDED CO-OPERATIVES

SEQ. NO.	Commenced Operations	First Funded	Registered as a Co-op	Period in CDP mths
1. Backyard	1977	1/83	8/81 Pty. Ltd. Co.	17
2. Ballarat	1978	4/81	1/81	25
3. Bendigo	1977	10/82	2/77	7
4. Brunswick	1981	4/82	4/82	13
5. Correct Line	1980	11/81	8/81	21
6. Frankston	1979	2/82	2/82	15
7. Gay	1979	3/83	Not reg.	2
8. Geelong	1980	12/82	Not reg.	5
9. Goldfields	1977	2/82	8/80	15
10. Hodja	1979	4/82	10/81	13
11. Loch Ard	1979	6/81	2/80	23
12. Maryborough	1978	3/82	12/78	14
13. Open Channel	1976	3/82	7/76	14
14. Public Images	1981	1/82	8/82	16
15. Stawell	1982	1/83	Not reg.	4
16. Sybylla	1976	4/82	7/76	13
17. 3 PBS-FM	1977	4/83	8/78	1
18. Turkish Women	1982	1/82	Not reg.	16
19. Wanderfood	1981	3/82	10/81 Pty. Ltd. Co.	14

TABLE 4. ANALYSIS OF DATES FUNDED AND REGISTRATION AS A CO-OPERATIVE

SEQ. NO.	Name	Date First Funded by CDP	Date Registered
1.	Backyard	March 83	Not
2.	Ballarat	March 82	Jan 81
3.	Bendigo	Feb 83	Feb 77
4.	Brunswick	March 82	April 82
5.	Correct Line	June 82	Aug 81
6.	Frankston	Feb 82	Feb 82
7.	Gay Comm.	March 83	Not
8.	Geelong	Dec 82	Not
9.	Goldfields	Jan 82	Aug 80
10.	Hodja	Apr 82	Oct 81
11.	Loch Ard	March 82	Feb 80
12.	Maryborough	March 82	Dec 78
13.	Open Channel	March 82	Jly 76
14.	Public Images	Jan 82	Aug 82
15.	Stawell	Apr 83	Not
16.	Sybylla	Apr 82	Jly 76
17.	3PBS-FM	Apr 83	Aug 78
18.	Turkish Womens	Jan 82	Not
19.	Wanderfood	March 82	Not

NOTE: 6 not registered (Turkish Women's = Feasibility Study only). 1 registered after 6 months of funding.

VALIDATION OF THE PROGRAM

(N.B.: the first 2 pages are a repeat on the Section on Conclusions and Recommendations, included for completeness of the Validation).

OVERALL IMPACT OF THE PROGRAM

If we look to the cost benefit analysis the results are hard to judge as yet. A normal pattern of events is for benefits to accrue at an increasing rate over a number of years following an investment; with the largest benefit amounts in the later periods.

Here we are measuring the results virtually within a year of making the investment and the corresponding returns understate the likely outcome given longer time to accrue.

Nevertheless, the CDP has,

- Kept in being a significant number of jobs.
- Created direct and indirect additional full-time, part-time and casual employment for a smaller number of persons.
- Generated greater economic activity.
- Kept a sizeable number of persons and their dependents in economic circumstances at least above a line where they would otherwise have become a potentially heavy charge on social services of all kinds.
- Generated direct and indirect tax income for Federal and State Governments.

On the negative side, the choice of projects has not been strong in creating new business as opposed to competing with established businesses.

The standard of business skills developed is low and the result could potentially have been much greater had a higher calibre of support resources (not money) been provided.

We have commented on the progress to viability of the individual co-operatives. A number are well on the way. A number are struggling and some never set out to achieve it or did so in unproductive ways. We believe the proposition making progress could be increased with proper support and more business oriented attitudes. This does not imply any shift away from co-operation properly defined. It does imply a shift away from dependency. Future results will largely hinge on whether this policy issue is addressed and how effectively it is implemented assuming it is taken up.

## OVERALL IMPACT OF THE PROGRAM

Continued.,

The degree of dependency on Government funds has been too great and may continue to be so if allowed. Too much stress has been laid on grants (including loans with a moratorium on interest) instead of interest bearing loans on favourable terms. (The significance of this differences is best seen by looking at N.S.W. experience),

The lack of grasp of viability issues by co-operatives has been compounded by the nature, level and structure of support services.

As regards skills in co-operatives, the results have not been as good as could have been achieved had business skills been seen as a basic necessity on which to build a co-operative approach rather than, as seen by some, alien ideas to be rejected.

The supposed hostility of the business scene is a problem of two derivations :-

1. Co-operatives by their very structure have equity base problems. In turn this causes them to run into difficulties when approaching financial institutions who apply the normal rules of looking for security.

It is not that they apply stricter or different rules, just that co-operatives have a stiffer task to face in meeting them.

2. The second issue is one of perception, defensiveness, alienation and defeatism by those who found co-operatives, often as a reaction to harsh experience in unemployment or the regular workforce. They tend to project their feelings on to others and expect attitudes or reactions that do not exist or are not nearly as strong as they think.

Objective One

As regards Objective One of the Program, the impact of co-operative style or viability was to be examined. We have done so in a practical way with each of 18 co-operatives. The results are mixed. There are enough lessons to be learned and positive indicators for us to say that the two can be compatible if non-dependency attitudes and policies prevail.

The question of whether co-operatives are artificial creations is answered in the section on Individual Co-operatives but can be summarised by saying authentic co-operatives adhering to the strict definition are not; those seeking money for different priorities may well be artificially donning co-operative guise.

Similarities and dissimilarities of co-operatives was to be scrutinised which has been done in sections on Definitions, Cost Benefit, Conclusions on Funded Co-operatives and not least in the Individual Reports.



Objective One Continued.,

Benefits from social activity have been commented on. The benefits being aided by those organisations benefitting for subsidies are beyond our scope to assess.

The issue of whether co-operatives are a product of recession is interesting. The short answer is that recession certainly triggers greater interest. The implication that co-operatives may spring up, wither and die if and when better circumstances return is not accepted. Given certain Government support, not least a legal framework, fund or bank, and a minimal but suitably skilled support structure there is no reason why they should not become as well established and significant a sector of the economy as they are in other countries.

We have addressed the issue of the priority to be given to economic viability in the section on dependency. We believe that co-operative principles, self protection and survival for co-operatives, long term development, insulation from political change and economic commonsense all point to the need for viability to be priority.

Objective Two

(The effective integration of training and social resources etc).

We examined the CDP itself in terms of :-

- Funding - nature
- amounts
- timing
- financial controls

Dependency creation

The Ministry and administrative matters

The Business Advisor

The Education and Training Unit.

Perceptions by the Funded Co-operatives Themselves.

In overall terms we have expressed grave reservations about the nature, adequacy, framework, operational policies and, effectiveness of these support services. Some have been dealt with in detail elsewhere. Others are the subject of the following comments.

VALIDATION OF THE PROGRAMObjective Two

Continued.,

## Program Structure

The organisations and individuals involved in the structure are currently :-

The Minister

The Ministry

Program Co-ordinator and staff

Funding Committee

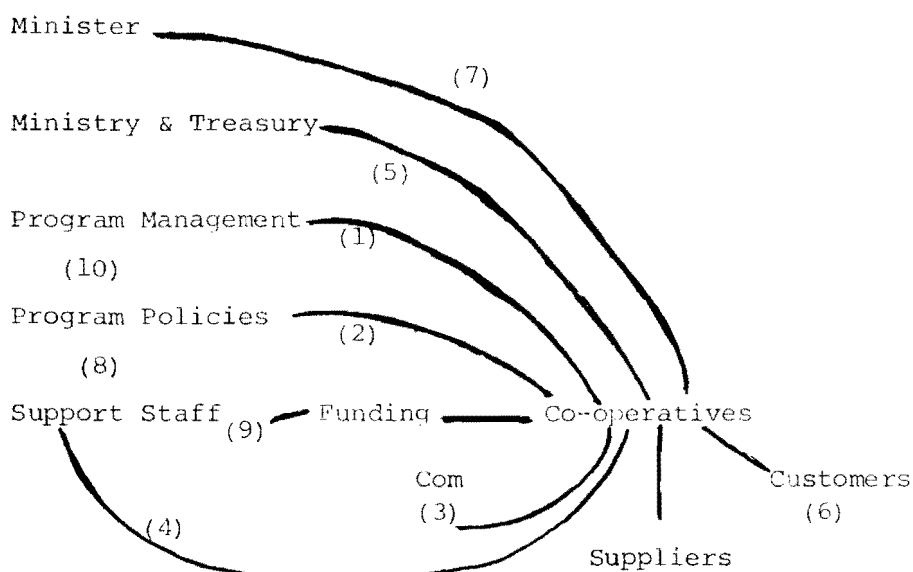
Business Advisor (located at the Federation)

Education and Training Unit of 2 (located at VOC)

Between the six parties we have observed problems of lack of:

- the right resources/enough resources
- a set policy framework
- a co-ordinated unified organisation
- long term continuity of operation

There are a set of relationships in existence between these people which can be shown in the following diagram:-



Two-way Relationship - Problems Identified

Relationship	Problem
1. Program monitoring system.	Dependency creation.
2. Program policies.	Co-operative 'fit' within them.
3. Program Funding Committee	Impositions on Co-operatives.
4. Program Support Staff aid to Co-operatives.	Problems of calibre, resources, passiveness of approach, etc.
5. Co-operatives relations to Ministry and Treasury.	Money and timing. Dependency creation.
6. Co-operatives customers.	Hidden subsidies - amounts - nature.
7. Co-operatives direct access/influence via Minister.	On their submission, treatment, priority etc.
8. Program policies and interaction with role of support staff.	What kind of Program, what kind of expectations, workload level etc.
9. Support staff - Funding Committee	Problems of potential conflict of interest and roles.
10. Program Management and Program Policies.	Running what has evolved rather than possible higher priorities they would prefer to address.

Problems and Issues in more detail:

	Issues
1. Program monitoring -	Raises issues of dependency creation. Lack of resources and skills to supervise organisational development causes worsening problems of accountability as the size and diversity of the Program increases.
2. Program Policies relative to Co-operatives -	Policy needs to be set more firmly to encompass a set type on range of co-operatives. The continuance of this experimental stage has definite risks. There are a number of potential major problems waiting to happen, in our view.

Problems and Issues Continued.,

Issues

3. Funding Committee - This has an unclear role; conflicting aims as presently constituted; conflicts of interest for members; a lack of venture capital, banking, entrepreneur and general management skills.  
The relationship to the co-operatives is unduly bureaucratic and lacks business sensitivity on issues of scarce funds to meet cash flow needs, long term continuity of policy, conflict between deciding submissions on their individual merits or allocating scarce funds. There is also a lack of clarity as to whether funding is for co-operative character or social aims.
4. Support Staff - The relationship is seen as rosier from the supplier viewpoint than from the co-operatives.  
The credibility, calibre, skill level, orientations, availability, effectiveness and contribution of the Business Advisor and Education and Training Unit were the subject of critical comment.
5. Co-operatives relations to Ministry - This has 'love/hate' elements to it. They love the money but not the rules constraints and administrative problems that go with it.  
To a five man firm, spending several hours a week on liaison and data preparation for Ministry agencies on hefty imposition using up a scarce resource, managerial time.
6. Co-operative and Customers - We have commented on hidden subsidies and conflicting priorities elsewhere in this Report.
7. Co-operatives' access - to policy level lobbying - There was evidence in the files of this occurring to a small degree and funding on social or other grounds for co-operatives outside the formal Program guidelines can be seen from reference to Individual Reports. The experimental nature of the Program has allowed this in the past.

Problems and Issues Continued.,

Issues

- |     |  |   |   |
|-----|--|---|---|
| 8.  | Program Policies<br>and Support<br>Staff | - | There is a lack of effective direction, integration, leadership and drive if the Program is to make major renewed progress or lead to new initiatives so This is an aspect to which our attention was drawn and which is the subject of recommendation. |
| 9.  | Support Staff to<br>Funding Committee    | - | The role of the Business Advisor in counselling co-operatives on submissions then acting as an evaluator or assessor for the Funding Committee was the subject of question; not least by that person.   |
| 10. | Program Management<br>and Policies       | - | We perceive that there is a definite issue to be resolved as to the extent to which policies are set for the Program and its management and the extent to which there is a need for firm defined guidelines.  |

Business Advisor and Education and Training Unit

We were asked to assess their role, contribution and impact, bearing in mind the date of their appointments in the Program and operating constraints. A significant factor is their dispersed location and attachment to the different organisations (The Federation of Victorian Co-operatives and VOC respectively).

Having said that, there has not been the resources to provide policy leadership, guidance and supervision to concentrate effort where best required.

That is not to say that the persons have not been well motivated, hard working, effective in the chosen parts of their roles and have done good work.

VALIDATION OF THE PROGRAM

Business Advisor and Education and Training Unit Continued.,

The raison d'être of these services is to assist in achieving the Program aims. Our views, arising from the thorough examination of 19 co-operative case studies, is that they have not effectively addressed the issues.

In particular :-

1. They have not been effective in assisting co-operatives to
  - avoid growth problems.
  - overcome managerial limitations.
  - face practical realities of marketing and selling cost minimisation, productivity, effective financial controls and planning, pricing policy, growth stages and the equipping of staff with practical skills.
2. There has been too general an effort, with poor productivity, caused by allowing poor performers to soak up time unduly.  
This was perhaps justified in the early stages of the Program or on first entry, but is not a good operating approach for fairly costly services on a longer term basis.

In evaluating their performance we have paid attention to; the fruits of their actions; the history of involvement on their professed aims; as well as actual performance. The individuals were interviewed by team members and a number of issues can be highlighted.

1. Consultants are in a fairly advantageous position to evaluate the performance of persons providing consultancy advice and support services to a range of organisations. We formed a disappointing picture of what had, or had not, been achieved in the time these services had been in existence.
2. For fairly substantial sums expended, the Ministry is not obtaining value for money, both directly in terms of achievement and indirectly. There has been limited capacity to direct funded organisations to an adequate standard of help. Marketing advice provided by one particular firm of consultants is notably off beam, essentially because they have been used outside their field of competence. Professional accounting aid to co-operatives is excessive relative to their size. Figures are shown in Table A in Costs Section of Cost Benefit Analysis. Overall the disappointing progress of many co-operatives is to a degree a function of the limited support received.

VALIDATION OF THE PROGRAM

Business Advisor and Education and Training Unit      Continued.,

3.    The Program Co-ordinator highlighted the problems of split location inadequate resources, problems of competing priorities and the shortcomings of the co-operatives, so the problems were known and recognised. There was a marked lack of effective effort to plan, organise, direct and control the support services effectively. Hence, Objective Two of Program aims was not effectively addressed and was not achieved.  
It may be argued that these units were independent activities but, even so, greater informal leadership could have been extended.
  
4.    During the course of the Program the consultants identified a significant error in the accounting figures supplied by Loch Ard where a complete line of figures in the balance sheet had been transposed. This had been before the Ministry for some time and the Business Advisor was in attendance on that organisation at that period. More seriously, analysis showed every indication that this co-operative was making highly unrealistic projections of growth and viability showed every indication of generating losses in the order of \$60,000 to \$100,000 a year. The Business Advisor had not identified and drawn Ministry attention to the issue in specific terms and was expending effort on human organisational problems. The fact that the Ministry has since taken action on the funding of this organisation reinforces our view that the Business Advisor has not been providing the level of professional service necessary.

The poor track record of economic realism of Loch Ard's past business record should have been warning enough to look hard at that aspect. The same sort of comment can be made about many of the other funded organisations.

The Education and Training Unit has recognised its problems and limitations in its own recent submission at the Ministry. Unfortunately instead of coping with and overcoming the problems the solution advocated is to withdraw from the problems of field visits. They also propose doing what should have been done from the start. We do not see this as acceptable. The fault lies not with hard working, sincere and well motivated people but with those who appointed them to tasks beyond their capacity.

The lack of training in training and practical experience and skill in the basic business activities which are so inadequate in co-operatives. They have concentrated on the 'Education' part of the role whereas the more difficult and necessary 'Training' part has been neglected from lack of skill.

VALIDATION OF THE PROGRAM

Business Advisor and Education and Training Unit      Continued.,

Conclusions

1.    The poor progress of co-operatives on basics such as bookkeeping, record systems, basic business organisation all point to inadequate action by the two units. The problem of tax on grants as income could and should have been seen by them.
2.    As regards Education and Training we would focus on the proposal to decrease field visits and the comments on the resistance of the co-operatives as being the wrong response to the challenging task of winning acceptance and credibility for consultancy services.
3.    As regards both services our professional assessment is that even with a much greater degree of leadership, direction, supervision and coaching they would not rise to the standard we see as being necessary to support the co-operatives in a reasonable period of time. That is unfortunate, but a necessary conclusion we cannot avoid.



VALIDATION OF THE PROGRAM

C.D.P. SUPPORT SERVICES IMPACT

107.

Encouragement of Co-operatives (as seen by co-operatives)

CODE: Dash - neutral comment  
Blank - no comment  
NC - no contact  
P - Positive  
N - Negative  
P/N - Both

Positive or Negative Comments

		Min.*	Bus Adv.	ED & T	Other Co-ops	TU's	Fed	Other
1	Backyard	P	P	No need	P	N		N
2	Ballarat	P	P/N	P/N	-	N		P
3	Bendigo	N	NC	P	-	-	P	-
4	Brunswick	P	-	-	-	-	-	-
5	Correct Line	P	N	N	P	-	-	-
6	Frankston	P/N	N	N				
7	Gay Comm.	P	N	-	P	NC	NC	
8	Geelong	N	N	-				
9	Goldfields	P	N	P	N	NC		
10	Hodja	P	P	N	P			
11	Loch Ard	P	N/P	P	P	NC	P	
12	Maryborough	P	P	P	NC	NC	P	N
13	Open Channel	P	N	N	N			P
14	Public Images	P/N	P	N	P/N	N		P
15	Stawell	P	N	N	N	NC	-	P
16	Sybylla	P	N	N	P	N		
17	3PBS-FM	P/N	N	N	P			
18	Turkish Womens	Not operating						
19	Wanderfood	P	P	N	-	-	N	

Comments "Little Contact" are taken as negative comment on a support services

NOTE: \* Positive comments focus on 1. Program Director and his staff aid and encouragement.

2. Funding help

3. Aid to sort out business plans

Negative: (expressed more strongly in Co-operative group meeting)

- admin, timing, cash flow issues.

## VALIDATION OF THE PROGRAM

### CONCLUSIONS AND RECOMMENDATIONS

If our proposals for a CPP are accepted, or if a Program or Programs continues under Ministry direction we see the need for :-

1. An integrated approach with a unified service operating from one location.
2. A shift in emphasis and an upgrading of calibre of staff is required to meet a more exacting standard set by more strictly defined Program guidelines. This would place greater emphasis on guidance from persons of business successful accomplishment.

In this area the guidance must come from those who have been a success in the hardest aspects of building a new enterprise.

#### Second Part of Objective One

(use of unused or under utilised community assets).

The use of such assets is a relatively minor aspect of the co-operatives. There are examples where the provision of such help is critical to the organisation;

e.g. low rental premises to Maryborough  
free use of a radio mast location, etc.

The examples are all given in the Individual Reports but we could see no pattern or no general lessons to be derived to justify further analysis.

We do comment on the issue of access to resources in the section on employability enhancement schemes.

#### Overall Conclusions on Validation

The Program was experimental and produced mixed results.

There are sufficient positive results to advocate further Government support, in our view, but the Program (or Programs) need to be formalised with stricter observance of clearly set guidelines.

A number of potential lines of action have been presented, not least on employability enhancement.

Viability criteria provide a mechanism for identifying, selecting and monitoring funded organisations, whether aiming at achieving economic viability or continuing in a dependency situation.

EVALUATION OF THE PROGRAM

Were the right objectives set in the first instance?

OUR CONCLUSIONS

1. Objective One. "To establish viable, new small-scale business enterprises or employment-generating modifications to existing businesses, through work co-operative ventures"; is a desirable aim but the term 'work co-operatives' is too loose. It needs definition.

A Program might adopt the term worker co-operatives and define it in terms of wholly worker owned, controlled (and managed) economically viable enterprises not subject to external influence or control by funding or monitoring organisations.

Another Program might orientate itself as those consumer based co-operatives where the members obtain a direct economic benefit or service from the co-operative. Perhaps defined as "consumer based co-operatives benefiting member/owners who control the business".

2. Objective Two is so generalised as to leave one guessing the true interpretation. We take it to refer to all aspects of support to the Program.

An alternative might be:-

The Program will aim to identify the short and long term requirements for support, wanted or needed by the co-operatives and mobilise effectively the resources at its disposal, (direct and indirect), to maximise their effective and efficient use; to achieve more benefit to the co-operatives at least cost achievable, consistent with the timing and quality of results desired.

The secondary parts of Objective One are accepted but the significance of the use of unused or under utilised resources should be seen as a relatively low level issue.

As regards the issue of employability enhancement we believe that some interesting ideas emerge from some of the funded co-operatives which tie up with experience in N.S.W. and overseas. These have been set out in the section of that title in Policy Options.

There is a need for legislation to create a legal framework to suit worker co-operatives, common ownership companies (as in the NSW model) and co-operatives generally. This was the subject of comments but goes beyond our brief.

This evaluation reinforces views expressed elsewhere in the Report that the critical support needed by the co-operatives and which should be provided to them is the injection of business skills from experienced successful managers of appropriate background.

To provide the skills and the funding required there is a need for support Programs. The one looking after worker Co-operatives should be in the form of the Worker Co-operative Development Agency and Common Ownership Fund structure already existing in N.S.W. (See that Section of the Report).

Section ThirteenCOST EFFECTIVENESS AND COST BENEFIT ANALYSIS - GENERAL COMMENTS

Cost effectiveness and cost benefit analysis are quantitative ways of examining the results accruing from the choice of a particular alternative way of accomplishing public goals. Usually this is for the purpose of identifying the preferred alternative, but in this case techniques are only applied to measure the outcome of a particular option, the Co-operative Development Program.

In cost effectiveness analysis, benefits are primarily left in non-monetary units, whereas cost benefit analysis is usually an attempt to express benefits in monetary terms.

In our submission we addressed the request in the brief for a cost benefit analysis of the Program as a whole. We indicated that we would construct a theoretical model with a set of defined assumptions or a hypothesis to test. We added the rider that in our experience simplicity and clarity should be the guiding principles as overly complex models involve, for example, more and more assumptions which are then open to challenge and can provide grounds for calling the whole model into question.

We then went on to say that if a Program has no clear advantage or disadvantage that can be defined without long drawn out, complex, closely argued justifications; then one has to ask if it is better to return to fundamental logic and the broad economic, social and political justifications which called it into being in the first place. If the Program did not exist, would it be necessary to re-invent it?

Our proposal was to look at the costs and benefits of the existing Program as compared with:-

1. The probable outcome of events for those employed in co-operatives had the co-operatives not been created (or funded).
2. Had the jobs been created through other Government funded schemes.

We also said that we would take into account the economic costs or benefits which might originate at State level but would have impact at Federal level or vice - versa. There may or may not be a case that State action has reduced Federal costs for example. Thus the flows of income and expenditure as well as the impact points need identification and quantification.

COST EFFECTIVENESS AND COST BENEFIT ANALYSIS - GENERAL COMMENTS Continued

## PROCEDURE

1. Description of Alternatives

These have been identified above. From this, we identify the component elements of the system.

2. Identification of Pertinent Measures of Effectiveness

i.e., benefits. Because there are possible multiple impacts, we need multiple evaluation criteria covering both intended and unintended effects of the Program. This we have done within the constraints of available information.

3. Mathematical Model

If proceeding to a full mathematical model as a base for a complex cost benefit analysis, one would express the Program outputs and costs as functions of the characteristics of each alternative. We do not propose to go as far as a mathematical model but will provide a rationale taking in both cost and performance relationships.

4. Estimation of the Costs and Benefits for Each Alternative

Again one would normally use a mathematical relationship developed in Step 3. to do this but we have tackled it on the basis of set assumptions and stated calculations.

5. Evaluation of the Benefits and Costs

Cost benefit analysis requires that dollar values be assigned to the benefits. This is inevitably, to some degree, a subjective, judgemental task. Some benefits such as revenue items are clear cut. For others one has to provide ways of imputing values to the benefits. For example, we have imputed a value for the upgrading of skills and knowledge members have gained from their sojourn in a co-operative. Even the text books say that the highly subjective and intangible nature of such benefits must generally be treated with some scepticism. Once again we have sought to avoid criticism by sticking to hard market realities.

COST EFFECTIVENESS AND COST BENEFIT ANALYSIS - GENERAL COMMENTS Continued

## PROCEDURE (Cont.,)

6. Analysis and Presentation of Results

Had the Program existed for a number of years, with a sufficient number of co-operatives having been funded for comparable annual periods, then one might have had to adjust the equation of costs and benefits to bring all the values to a current equivalent by use of some discount factor. Because of the short time span, we have not seen this as necessary. Some figures have been discounted for the equation on an arbitrary basis of 10% per annum. This is indicated in the Tables. Theoretically, cost benefit analysis simplifies the decision making process in that one chooses the alternative with the best comparative ratio of costs to benefits in absolute and relative terms. We would strongly caution against any such simplistic approach being adopted with these figures. The most we have been able to achieve is some indicative values which might provide the basis for subsequent lines of measurement and research.

This brings us back to issues of efficiency and effectiveness. It is possible for the Program to have low economic benefit to cost ratios (i.e. low efficiency) but high effectiveness in terms of achieving political objectives. It should be noted that we use the concept of effectiveness as being broader than that of efficiency.

## COST BENEFIT MODEL FOR THE EXISTING PROGRAM

In this section we set out the model; we proceed to apply it in a subsequent section.

### DEFINITION OF 'MISSION'

Defined as the overall impact of the Program measured in terms of contribution to economic activity and hence direct and indirect long term and/or short term job creation, based on the year to end December, 1982.

### ASSUMPTIONS

- A Keynesian and not a Monetarist view predominates. (i.e. the increased economic activity is a benefit to job creation, not a negative through inflation creation.)
- That benefits accrue in the year to which the CDP funding applies. (The limited data forces this upon us). See notes on measurement problems attached to the actual calculations.
- The most recent annual results (or annualised results) which may understate contribution, are used as a basis for calculation. (Year ending December, 1982). A necessity forced upon us.
- The effects of expenditure are the same irrespective of nature and location of the co-operative. (i.e. Victoria is taken as a 'perfect market' as regards other variables).
- Acceptance of the primacy of the aim of economic viability for cost benefit analysis purposes.
- All other factors are equal. (The economists assumption that only given variables are in play at a set time).
- Where firm figures are not available we have made assessed judgemental calculations, obviously open to subjectivity. Their use is indicated in the text.



COST BENEFIT MODEL FOR: THE EXISTING PROGRAM Continued

IDENTIFICATION OF PERTINENT MEASURES OF PERFORMANCE FOR ALTERNATIVE ONE

Direct Costs

Program funding costs - we treat all funding as grants, as loans have a moratorium on interest and repayment.

N.B. Ministry costs of administration and control are treated as overheads and not applied at this stage. This also applies to the support costs paid to V.O.C. for the Education and Training Unit and to the Federation for the Business Advisor.

Indirect Costs

- a) Negative impact on other businesses. (Assumed as 100% of annual sales turnover at marked value reduced by the extent to which there has been creation or extension of markets).
- b) Hidden subsidy created by those co-operatives paying 'below award' wages.

Benefits

1. Measured as gross sales turnover; less the percentage dependent on other Government funds where total Government funding exceeds 90% of the capital base. This assumes that impact on economic activity can be measured by the overall economic activity of the co-operative and that this can be totalled, which assumes no cross-trading,
2. The wages value of increased employment attributable to the CDP.
3. Fixed asset creation (Reduced to allow for depreciation).
4. The amount by which unemployment payments have reduced due to people being employed by the CDP (savings to Federal Government).
5. The added value to the potential earning capacity of persons employed through the CDP who have experienced skill upgrading.
6. The nett dollar value of 'employability enhancement' measured by former employees of the co-operatives now in employment who came from unemployment originally.
7. Nett increase in Income Tax to Federal Government.
8. Nett increase in Company Tax to Federal Government.
9. Nett increase in Payroll Tax to State Government.

Our measure is based on 'job market value' of the actual people in the co-operative, as measured by:

1. Their previous pay level/or unemployment benefit level at entry to the co-operative.
2. Their assessed potential earnings were they to leave the co-operative, and take a general vacancy appropriate to their current skills level which would maximise their earnings.

The difference is the nett addition to their potential earning capacity created by the education, training, experience of being with the Co-operative.

The first cost benefit calculation is then made.

#### THE SECOND COST/BENEFIT CALCULATION

Taking other Ministry overheads into account including the CDP Effects of funding of co-operatives no longer in the Program.

These costs are of the following kinds:-

1. Ministry 'head office' costs. )
2. Education and Training/Business Advisor costs. )
3. Cost of previously funded co-operatives, less calculable benefits. )

Costs rise to \$ \_\_\_\_\_ and benefits to \$ \_\_\_\_\_

OVERALL COST BENEFIT RESULTS

<u>Costs</u>	<u>Benefits</u>
\$ _____	\$ _____

COST BENEFIT ANALYSISSECONDARY ANALYSIS: IMPACT OF CDP ON FEDERAL AND STATE TAX INCOME  
AND FOREGONE DEMANDS ON REVENUE

In this section we look at:-

Benefits

- To Federal Government in the form of:-
  - Increased Income tax receipts.
  - Company Tax.
  - Reduced unemployment payments
- To State Government in the form of:-
  - State Payroll Tax

We assume that flow-on benefits through the CDP impact on the general economy are shared by Federal and State levels.

COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL TO THE EXISTING PROGRAM

## INTRODUCTION

Extreme caution should be taken in using these figures, in taking them out of their context or drawing conclusions from them; because:-

1. They are not based on audited vouched for accounts of set definition and treatment. Arbitrary steps were taken to bring them back to equivalent base lines and a rough degree of comparability.
2. The time span for comparison is extremely short, (often months or at most a year).
3. The co-operatives are mostly very new businesses on sharply rising curves on most graph measures of their progress. Extrapolating from short, sharp, curved trend lines is obviously risky.
4. There are a number of measurement problems dealt with below.

Warning At the very most these figures should be seen as trend indicators only, pointing to:-

- scope for better data collection, measurement and assessment in the future,
- scope for further research.

Nevertheless, we believe that they do advance the debate and take discussions to a less theoretical and more factually based level.

COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL TO THE EXISTING PROGRAM

Continued.,

## MEASUREMENT PROBLEMS

1. Inflation

Because of the complexity of attempting to discount for inflation given limited figures and so short a period of operation, no allowance is made. This is rendered less important and because it is the relative measure of costs, to benefits that is our concern and inflation affects both sides of the equation.

2. Limited, Inconsistent and Inadequate Data

Being new, small ventures, often with record keeping done by previously untrained and unemployed people, the standard of figurework has severe limitations.

Where necessary assessed figures have been used by:-

- annualising the limited data available (generally understating results),
- making assessed judgements - admittedly subjective but applied with what is hopefully cautious common sense.

3. Inconsistency With Ministry Figures

(i.e. Those shown in tables supplied to us in the brief and shown at the start of Individual Co-operative Reports).

This can arise from our use of sums received by co-operatives, as opposed to authorised figures in Ministry totals. Payment by instalment, misallocation of figures in co-operatives' accounts and other problems cause these discrepancies.

## COST BENEFIT ANALYSIS - APPLICATION OF THE MODEL TO THE EXISTING PROGRAM

Continued.,

## THE MODEL

Costs:

\$

## 1. Direct Costs

CDP funding of co-operatives in current Program. Table A.	780,908
--	---------

## 2. Indirect Costs

Negative impact on other businesses. Table B. (Less result of the creation of new trade)	283,846
Under Payment of Salaries and Wages from 'Below Award' wages. Table C.	28,000

3. Total of Direct and Indirect Costs	<u>\$ 1,092,756</u>
---------------------------------------	---------------------

Benefits:

## Direct

1. CDP Impact on sales turnover less dependence on other Government funds, (as percentage of total income), were other funding has a significant impact. Table G.	403,400
2. Wage value of increased employment (@ \$220 per week) Table U.	366,080
3. Fixed asset creation (estimated market value - 2/3 of \$ spent) From Table A.	231,736
4. Reduction in unemployment payments (A \$65 per week) Table J.	108,160

## Indirect

5. Added value to earning capacity of persons employed who experienced skill upgrading. Table M.	308,620
6. Employability enhancement (@ \$220 per week) Table K.	148,720
7. Increased Income tax to Federal Government. Table L.	52,177
8. Increased Company Tax Table N.	Nil
9. Increased Payroll Tax Table N.	1,920
10. Total Benefits	<u>\$ 1,620,813</u>

COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL THE EXISTING PROGRAM

Continued.,

The first cost benefit calculation is then :-

<u>Costs</u>	<u>Benefits</u>
\$ 1,092,756	\$ 1,620,813
Ratio 0.67:1	

The second cost benefit calculation taking Ministry overheads into account (including nett effect of the funding of co-operatives no longer in the Program).

These are :-

1. Ministry head office costs Table E.	\$122,400
2. Education & Training/Business Advisor Costs. Table D.	\$ 93,000
3. Nett result of funding co-operatives not now in Program. Table F.	\$ 93,700
total	<u>\$309,100</u>

The cost benefit result before applying Keynesian Multiplier is then :-

<u>Costs</u>	<u>Benefits</u>
\$ 1,401,856	\$ 1,620,813
Ratio 0.86:1	

COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL TO THE EXISTING PROGRAM

Continued.,

SECONDARY ANALYSIS: IMPACT OF CDP ON FEDERAL AND STATE TAX INCOME AND  
FOREGONE DEMANDS ON REVENUE

In this section we look at impact on Federal and State Government of  
CDP measured by :-

Direct Benefits to Federal Government

A. Income Tax

- a. Income tax is generated by employees of funded co-operatives  
in 1982 which is attributable to the existence of the CDP.

Calculated as total Group Tax paid in 1982,

Less the percentage dependence on other Government funds  
(Taken from Tables I, N in overall cost benefit model)

The nett result is taken as wholly dependent on CDP and  
is a benefit to the Federal Government.

B. Company Tax

Proportion of Company Tax paid in 1982 calculated on ratio of CDP  
to Total Government Funding (Table N) is Nil.

Indirect Benefits to Federal Government

Accruing from reduction in unemployment benefit payments attributable  
to CDP impact.

- |               |   |  |
|---------------|---|--|
| Alternative 1 | - | This could be calculated on nett impact<br>on employment attributable to the CDP.<br>This was rejected because of difficulty of<br>measurement and short time scale of program.  |
| Alternative 2 | - | Calculated as if all employees of the co-operative<br>had been unemployed before the co-operative was<br>funded by the CDP. (Or would become unemployed if<br>CDP funding has not occurred).<br>(This is the most generous assumption, that the CDP<br>funding was the <u>marginal</u> element allowing the job<br>creation to occur or has preserved all the jobs). |
| However       | - | the second alternative is too generous. On an<br>assessed basis we have reduced this by reference<br>to the history of the co-operative and judgement<br>as to the extent to which the employment would<br>have been created or in existence had there been<br>no CDP funding.   |



COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL TO THE EXISTING PROGRAM

Continued.,

Direct Benefit to State Payroll Tax

This can be calculated as follows :-

Pro rata 1982 payments in proportion of  
CDP funding to Total Government Funding 1982

i.e.: Open Channel      16% of \$12,000 = \$1,920

Summary of Benefits- To Federal Government in the form of :-

- Increased Income tax receipts.	\$ 52,177
- Company Tax (1982 - CDP impact)	\$ Nil
Reduced unemployment payments.	\$108,160

- To State Government in the form of :-

- State Payroll Tax (1982 - CDP impact)	\$ 1,920
--	----------

We then have to consider the impact of Keynesian Multiplier concept which applies to those figures which would create a ripple effect on earnings, spending and thereby creating other earnings.

As we have only one year of operation on which to base our calculations, the co-operatives are mostly well below break even, and the data is not adequate, the calculation must be an entirely arbitrary, indicative one only.

We suggest a Multiplier effect of around \$5M has been created as a conservative estimate.

COST BENEFIT ANALYSIS - APPLICATION OF OUR MODEL TO THE EXISTING PROGRAM

Continued.,

## CONCLUSIONS FROM COST BENEFIT ANALYSIS

1. The results are indicative only.
2. We are measuring results within a year of the investment being made, an impossibly short period.
3. Despite this the results are interesting and encouraging in a number of ways.
  - Job creation is less significant than job retention.
  - Skill upgrading is much greater than anticipated.
  - The element of new market creation is not high due to the mix of co-operatives funded.

TABLES - COSTS

- A. PROGRAM FUNDING COSTS
- B. NEGATIVE IMPACT ON OTHER BUSINESSES
- C. UNDER-PAYMENT OF SALARIES, AND WAGES
- D. MINISTRY AND CDP OVERHEAD COSTS
- E. MINISTRY CDP HEAD OFFICE COSTS
- F. MONEY EXPENDED ON ORGANISATIONS PREVIOUSLY  
FUNDED AND NOT NOW IN THE PROGRAM

TABLE D - CDP OVERHEAD COSTS

- Ministry and support units.

	1982/3
Ministry CDP Head Office costs	\$ 122,400
Business Advisor/Federation	\$ 46,000
Education and Training/VOO	\$ 47,000
Annual Total	<u>\$ 215,400</u>

- NOTE 1. For next year 83/4 one can anticipate increases in all these figures.
2. See Table E for breakdown of Ministry CDP Head Office Costs.

TABLE E - MINISTRY CDP HEAD OFFICE COSTS

COST ITEM	MONTHLY \$
Salaries	5,000
People related overheads $33 \frac{1}{3} \%$ approx.	1,600
Rent	600
Telephone & com. services	800
Secretarial support	300
Accounting and administrative support	200
Electricity, heat, light etc.	700
Printing and stationery	500
Travel and incidental costs	400
Depreciation	100
Monthly Total	\$ 10,200
Annual Total (x 12)	\$ 122,400

TABLES - BENEFITS

(and figures used to calculate results)

- G. CDP IMPACT ON SALES TURNOVER
- H. ADDED VALUE TO EARNING CAPACITY
- I. CAPITAL BASE FOR YEAR TO END DECEMBER, 1982  
(Used to calculate results)
- J. IMPACT OF PROGRAM ON EMPLOYMENT
- K. IMPACT OF CDP ON EMPLOYABILITY ENHANCEMENT  
MEASURED BY CURRENT SITUATION OF FORMER EMPLOYEES
- L. FEDERAL INCOME TAX
- M. NO. OF PERSONS EXPERIENCING SKILL UPGRADING
- N. FEDERAL AND STATE TAX INCOME  
- FROM CDP FUNDED CO-OPERATIVES

TABLE F - MONEY EXPENDED ON ORGANISATIONS PREVIOUSLY FUNDED  
AND NOT NOW IN THE PROGRAM.

NAME	TOTAL PROGRAM \$
1. Box Hill Workforce Cooperative	11,350
2. Brunswick Work Cooperative	37,800
3. Collingwood Cooperative Overseeing Com.	50,000
4. Essendon Job Creation	2,000
5. Mandurah Health Food Shop	4,752
6. Maryborough Producer Cooperative	11,200
7. Shepparton Disabled Workers	4,000
8. Multi Purpose Cooperative	7,500
9. Malvern Star	9,500
	<hr/> 93,700

TABLE J

## IMPACT OF PROGRAM ON EMPLOYMENT

Past and current employment

SEQ. NO.		Numbers Employed								No. Difference in Employment			
		When First Funded				Now							
		F/T	Pt	Cas.	Ft. Equiv	Ft.	Pt.	Cas.	Ft. Equiv	Ft.	Pt.	Cas.	Ft. Equiv
1.	Backyard x	3	2	10	8	6	2	-	7	1	2	-10	-1
2.	Ballarat	1	-	-	1	1	6	-	5	0	6	-	4
3.	Bendigo x	29	2	-	29	27	2	-	29	-2	-	-	-
4.	Brunswick	-	-	-	-	3	4	2	5	3	4	2	5
5.	C. Line	-	-	-	-	2	5	3	6	2	5	3	6
6.	Frankston	3	-	x	8	1	-	1	7	-2	-	-x	-1
7.	Gay x	-	-	-	10	3	2	2	6	3	2	2	-4
8.	Geelong x	-	-	-	-	-	-	-	-	-	-	-	-
9.	Goldfields	-	-	x	-	4	2	-	4	4	2	-	4
10.	Hodja	2	-	x	2	5	1	9	10	3	1	7	8
11.	Loch Ard	1	2	-	2	-	7	-	6	-1	5	-	4
12.	Maryborough	2	-	-	2	4	-	-	4	2	-	-	2
13.	Op. Ch	Not available											
14.	Pub. Images	5	-	-	5	4	-	-	4	-	-	-	-1
15.	Stawell x	-	-	-	-	-	-	-	-	-	-	-	-
16.	Sybylla	2	3	4	3	1	6	4	4	-1	3	-	1
17.	3 PBS	2	-	x	2	2	-	-	2	-	-	-	-
18.	T. Women x	-	-	-	-	-	-	-	-	-	-	-	-
19.	Wanderfood x	-	-	-	-	-	-	-	-	-	-	-	-
	X Not included in C/B analysis - Total	32	4	10	47	36	6	2	42	2	4	12	-5
	Included in C/B Analysis	18	5	4	25	27	31	19	57	10	26	-8	32

x = numerous

X = not funded/operating in CDP long

F/t = full time

Pt = Part Time

Cas. = Casual

Ft.Equiv = Full time Equivalent



TABLE K

IMPACT OF CDP ON EMPLOYABILITY ENHANCEMENT  
MEASURED BY CURRENT SITUATION OF FORMER EMPLOYEES

SEQ. NO.		Former Employees			
		Now Employed		Now Unemployed	
		Were F/T	Were P/T	Were F/T	Were P/T
1.	Backyard X			1	
2.	Ballarat	3	1	1	1
3.	Bendigo X	2			
4.	Brunswick	1		2	4
5.	Correct Line	1	2	1	3
6.	Frankston			3	
7.	Gay Com. X				
8.	Geelong X			1	
9.	Goldfields				
10.	Hodja			1	1
11.	Loch Ard		2		1
12.	Maryborough				1
13.	Open Channel		not available		
14.	Public Images	1			
15.	Stawell X			-	-
16.	Sybylla		2		2
17.	3PBS-FM				-
18.	Turkish Womens X			-	-
19.	Wanderfood X			-	-
X	Not included in C/B Analysis TOTAL	2	0	2	0
	Included in C/B Analysis TOTAL	6	7	8	13

NB 1. All figures are hearsay from former workmates,  
accurate figures not available.

2. Stawell with its role as a youth empl. scheme has had  
50 casual employees, 7 now employed, 43 not.

3. Bendigo figures do not account for short term turnover  
of staff who prove unsuitable.

# COST BENEFIT ANALYSIS OF ALTERNATIVES

We were asked to look at the alternatives in terms of:-

- A. The probable outcome of events had the co-operatives not been created (funded).
- B. The probable outcome of events had the jobs been created through other Government funded schemes.

## A. HAD THE CO-OPERATIVES NOT BEEN FUNDED

Our conclusions are:-

### Benefits

- |  |            |
|--|------------|
| 1. Funding costs saved would be:-<br>(Table A : Total Spent)   | \$ 780,908 |
| 2. Negative impact on other businesses<br>would be reduced by say <u>half</u> the amount<br>of the cost calculation (on the assumption<br>that some would have found alternative<br>sources of funds, Government or non-<br>Government). (Table B) | \$ 141,923 |
| 3. Hidden subsidy from below Award wages<br>would stay much the same (some would<br>move further into self exploitation,<br>others drop out altogether). (Table C)   | \$ 28,000  |
| 4. Ministry overhead costs would be <u>halved</u> ,<br>(on the assumption that supervision of<br>unemployment requires Government effort)<br>but shifts in impact to Federal Government.<br>(Table D)  | \$ 107,700 |

## A. HAD THE CO-OPERATIVES NOT BEEN FUNDED.

Continued.

Costs

1. Sales turnover impact on the economy would reduce but not 100% as:-

- the unemployment relief creates some spending power,
- we assume some co-operatives develop alternative sources of income,
- some reduce activity; improve productivity and survive.

An assumption might be equivalent to half the calculated increase in sales turnover attributed to the CDP. (Table G)

\$ 201,700

2. Capital assets created from CDP funding would not exist.

\$ 231,736

3. Added value to earning capacity is lost. In addition there would be a negative element due to:-

\$ 308,620

- low income related social service costs,
- calculated drop in earning capacity (which steepens over time, so short time scale cost benefit analysis heavily under estimates longer term costs). This cost is calculated arbitrarily as twice unemployment relief costs in the short term. (Table J)

- \$ 216,320

4. Nett result on Income Tax and Company Tax would be their complete loss, (due to dropping below tax thresholds). (Table L)

\$ 52,177

5. The same is true of Payroll Tax to the State Government.

\$ 1,920

A. HAD THE CO-OPERATIVES NOT BEEN FUNDED. Continued.

Costs. Continued.

6. Social costs of welfare, health care, police, social services, insurance and pension impacts would be low short term but on a rapidly rising curve. No value is ascribed due to our very short time horizons in the model and the problems of calculation. Nevertheless, they should not be ignored. \$ X

Overall Results Might Be

Benefits	Costs
\$ 1,058,531	\$ 579,833
Ratio:	1.83: 1

B. HAD THE JOBS BEEN CREATED, FOR EXAMPLE, VIA AN FIP SCHEME THE ANALYSIS MIGHT BE AS FOLLOWS:-

Benefits

These would be the same savings shown above in Benefit items A.

- |  |            |
|--|------------|
| 1. Funding costs saved.  | \$ 780,908 |
| 2. Negative Impact on other business reduced.                      | \$ 141,923 |
| 3. Hidden subsidy, below Award wages, the same.                    | \$ 28,000  |
| 4. Ministry overhead costs reduced. (Federal Government increase). | \$ 107,700 |

## B. HAD THE JOBS BEEN CREATED.etc. Continued.

Costs

1. Sales turnover reduced but calculated as for A above.	\$ 201,700
2. Capital assets.	\$ 231,736
3. Added value to earning capacity, (assumed at <u>one quarter</u> the CDP scheme on training criteria and arbitrary calculated judgement.)	\$ 77,155
4. Nett results on Income tax. All lost to Federal Government.	\$ 52,177
5. State Payroll tax as before.	\$ 1,920
6. Social costs, reduced or delayed but not wholly.	\$ X - Y

The Outcome Might Be

## Benefits

\$ 1,058,531

Ratio: 1.87: 1

## Costs

\$ 564,688

## COST BENEFIT ANALYSIS

- A. HAD THE CO-OPERATIVES NOT BEEN FUNDED Continued.,

## CONCLUSIONS

- A. If comparing a cost benefit analysis of only one years operation of the Program with the alternative of not funding at all, then there is little to be said for funding. However, this ignores the possible consequential effects of the Program with benefits running over future years, whereas if not funding more of the benefits one of a 'once off' nature.
- B. The outcome is not significantly different in terms of base figures, mainly because the CDP funds a number of co-operatives not significantly creating new business as opposed to competing with existing businesses.

Again this comparison ignores the longer term flow of benefits from long term as opposed to short term job creation.

Neither comparison quantifies intangible but significant human benefits of morale, motivation, job satisfaction arising from the co-operative model.

## Section Fourteen

### LESSONS FROM THE N.S.W. CO-OPERATIVE DEVELOPMENT ASSISTANCE PROGRAMS.

A visit was paid to NSW to compare the experience of the largest other support Program in Australia aimed at worker and community co-operatives. This proved very worthwhile with considerable lessons for Victoria particularly bearing in mind the aims expressed in ALP policy to use NSW as a model for all Australia.

#### HISTORY - STAGE ONE

The NSW Government ran a 3 year pilot scheme from June 1979 to June 1982. Under the Department of Youth and Community Service, \$3 million was allocated with the aim of establishing 20 worker co-operatives over the period. The aims were very similar to the original Victorian Program aims.

Essentially the idea was both to develop new co-operative enterprises and develop skills of the unemployed. There was a general picture of CYCS projects turning to more permanent employment ventures and (at least theoretically) being converted to long term employment. There was more of a welfare orientation than in Victoria and money was more readily available.

It was two years into the Program before the decision was taken to concentrate on long term job creation and full time employment. By this stage there was an Association of Worker Co-operatives and links to the Co-operative Federation of NSW.

A key factor recognised in a report written as early as 1980 by Alan Greig on his overseas research trip as Secretary of the Work Co-operative Development Committee of the Department.

"Worker control means what it says. It is not control by welfare, trade union, unemployed or Government people."

and

"The present system in NSW of directly subsidising the working capital of registered worker co-operatives be discontinued. No other Government as far as I know is currently developing co-operative enterprises through the 100% subsidising of working capital requirements. One other country - India - tried it and failed to develop independence of Government grants. Even on our own showing so far it is positive the system is not promoting enough initiative and sense of self achievement. The ludicrous 'costings' and 'marketing' proposals put up to the funding committee only show that the co-operatives are not being conducted as they should be - with the least amount of money and the highest degree of skill, in fact it is the reverse in some cases. Dependence seems certain for some of them to survive".

LESSONS FROM N.S.W. Continued.,

HISTORY - STAGE ONE Continued.,

He proposed:-

"The system of grants to be replaced by loans via Government guaranteed backing system such as a Co-operative Bank. Most companies have one."

and later:-

"While capital accumulation is not the driving motive it is for capitalist enterprises, the importance of the secure accumulation of worker owned or controlled capital - for the survival of the co-operative in a competitive market - cannot be too strongly stressed."

"There should be separate worker co-operative legislation in NSW."

REVIEW

Out of these insights came a complete review of the Program in June, 1982. Very little of this critical examination of the system and of dependency criteria is revealed in the much better known Jamrosik Evaluation Study Report on the Program, which was written from an academic social scientist viewpoint. Instead a more down to earth practical view was taken of how to aid the creation of worker co-operatives as self sufficient enterprises in full control of their destiny. Essentially the message was - "Give grants and you gain dependents - give loans (on which you expect fair return on sensibly flexible terms) and you create accountability for the organisation's own results."

Problems experienced by co-operatives included what was called the 'unemployment syndrome.' People were offered lower than Award rates and turned in lower performances. There were problems of economic output. A great deal of education and training was needed. There was little contact with the NSW Small Business Agency. Equity inadequacy made it difficult to obtain credit.



LESSONS FROM N.S.W. Continued

## STAGE - TWO

At the end of the three year Program a number of difficult but firm decisions were taken:-

1. Not to continue funding the co-operatives in the Program automatically. (This caused understandable upset but did not change views).
2. To have a 'clean break' and start afresh with a core of co-operatives realistic enough to be focussing on economic viability .
3. Because there is no distinct clear acceptable legal framework for a worker co-operative model of corporate body they adopted the term 'common ownership company', which is also neutral, acceptable politically and hence less likely to have longer term development upsets from narrow party politics.
4. They created a legal framework to allow a worker co-operative/common ownership company to operate in the current corporate legal scene without constraints or problems. (This model is well worth examination for Victoria).
5. The next step was to set up an independent Worker Co-operative Development Agency. A large title and important function but not a large body. Instead it would have:-
  - a committed but realistic and business-like Director oriented towards encouraging self-sufficient competitive and long lasting independent worker co-operatives,
  - one or two like minded aides - not an Education and Training Unit which was seen as far too theoretical, impractical and lacking a grasp of basic realities,
  - one or two self-employed part time or casual former entrepreneurs, general managers or line experienced businessmen sympathetic to the worker co-operative model and skilled to assist their development.

LESSONS FROM N.S.W. Continued.,

THE WORKER CO-OPERATIVE DEVELOPMENT AGENCY (WCDA)

Its main functions are:-

- To locate potentially viable worker co-operative projects.
- To provide full technical support to individual projects in their planning phase.
- To assist projects to obtain finance for viable business propositions primarily through Common Ownership Finance Pty. Ltd.
- To provide continuing technical support to newly formed worker co-operatives over the first 6 to 12 months of their operation.
- To provide information to those involved in projects to enable them to carry out most work themselves or gain access to local resources in an effective way.

Under this arrangement, there is no direct government aid. Assistance is available only through the two 'arms' of the Program, which alone deal directly with Government.

The aim of this structure is to ensure long term development of worker co-operatives, and a base in the community rather than within Government. The ultimate objective is to provide community based resources to projects initiated within local economies.

Next they established Common Ownership Finance Pty. Ltd, to provide worker co-operative development loans from a revolving fund initially of \$100,000. An aim being to shift co-operatives from "what can we make", to "what is wanted", i.e. stress, marketing and selling, not production.

LESSONS FROM N.S.W. Continued.,

GUIDELINES FOR THE COMMON OWNERSHIP FINANCE PTY LTD., (COF)

Introduction

Common Ownership Finance Pty. Ltd, (COF) was formed in 1981 as the vehicle for making loans to and formal agreements with, organisations receiving assistance as part of the NSW Government's Worker Co-operative Program.

COF is a proprietary limited company operated by the Co-operative Federation of NSW Ltd. Its current board of Directors has sound financial and commercial experience, and a strong commitment to the principles and practices of worker co-operation.

The Board of COF now has full authority to make decisions on the provisions of financial assistance to worker co-operatives according to guidelines agreed between the Co-operative Federation and the Department of Youth and Community Services (YACS).

Funds available for disbursement through COF are made available to the Co-operative Federation of NSW by the NSW Government as part of its Worker Co-operative Programs.

Common Ownership Finance is accountable to the Co-operative Federation of NSW, which in turn is accountable to the Minister for Youth and Community Service in matters relating to the operation of the NSW Worker Co-operative Program.

Objectives

In accordance with the overall aims and objectives of the NSW Worker Co-operative Program, Common Ownership Finance has the following primary goal and objectives.

1. Primary Goal

To provide appropriate and timely financial assistance to existing or planned worker co-operatives that are potentially viable business enterprises and satisfy the eligibility criteria set out in these guidelines, and to maximise the effective use of the funds available.

LESSONS FROM N.S.W. Continued.,

GUIDELINES FOR THE COMMON OWNERSHIP FINANCE PTY, LTD. (COF) Continued.,

2. Objectives

To provide positive advantage to businesses structured, or intending to be structured as worker co-operatives.

To provide assistance in such a way as to avoid creating an ongoing dependency on government funds.

To provide positive assistance in areas not, as a rule, easily available to small businesses, e.g. research and development, training.

To give a high priority to the creation of new jobs and the preservation of existing employment.

To provide ongoing monitoring and financial advice to worker co-operatives in receipt of financial assistance.

Nature and Forms of Financial Assistance Available

The main source of funds within Common Ownership Finance are:-

1. The Loans Fund: From which formal interest bearing loans will be made.
2. The Self Help Development Funds: From which grants for specific projects will be made.

Financial assistance will be provided:-

EITHER

as "direct" financial assistance where funds are transferred from Common Ownership Finance directly into the hands of a worker co-operative;

OR

as "indirect" financial assistance where funds supplied by COF are applied on behalf of a worker co-operative, but paid to a third party to carry out specific work to benefit that co-operative.

LESSONS FROM N.S.W. Continued.,GUIDELINES FOR THE COMMON OWNERSHIP FINANCE PTY. LTD. (COF) Continued.,Purposes for Which Financial Assistance is Available

## General

COF will be seeking to provide financial assistance to worker co-operatives on a "project" basis: that is, where it judges a project proposed by a new or existing worker co-operative to offer a realistic opportunity for the development or expansion of a viable worker co-operative, it will be prepared to make available financial assistance in such a way as to maximise that project's chance of success, at the same time adhering to the organisation and commercial criteria set out in these guidelines.

## Loans

The following terms and condition will apply to financial assistance provided by COF by way of loans from the Loans Fund:-

- a. Interest Rates will be variable at COF's discretion. The maximum rate of interest charged will always be at least 3 percent less than the prevailing rate of interest charged by trading banks for comparable loans. At COF's discretion, interest free "holidays" may be granted if warranted by the circumstances of the loan.
- b. Repayment Period: Will be variable at COF's discretion. The maximum term of any loan will be 10 years.
- c. Security Required: As a matter of general policy, COF will endeavour to ensure that a loan is secured in such a fashion as to reasonably protect itself from loss. Details of security required in the case of individual loans will be determined according to the nature of the loan and the circumstances of the borrowing co-operative. Where warranted by special circumstances, personal guarantees may be requested from members or supporters of a worker co-operative.
- d. Structuring of Repayments: At COF's discretion, repayments may be structured to suit the circumstances of an individual loan.
- e. Repayment Method: At COF's discretion, repayments by way of automatic bank transfer may be required.

GUIDELINES FOR THE COMMON OWNERSHIP FINANCE PTY. LTD. (COF) Continued.,

Loans Continued.

- f. Renegotiation: By mutual agreement between COF and a borrowing co-operative, the terms and conditions of any loan agreement made between COF and a borrowing co-operative, the terms and conditions of any loan agreement may be renegotiated at any time during the life of a loan.

Legal and Other Costs

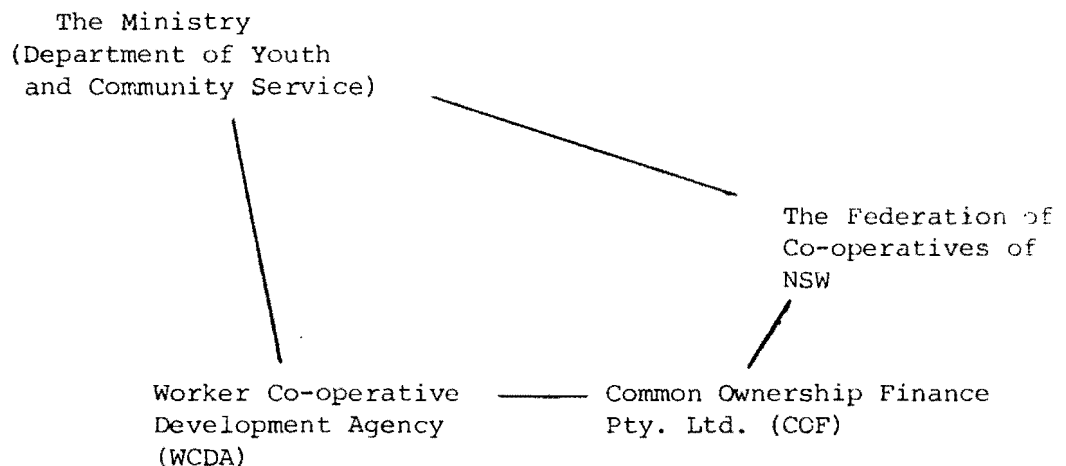
Legal and other costs incurred in the making of loans and grants will be the responsibility of the recipient co-operative.

## PHILOSOPHY Continued.

- d) That it is vital to develop longer term job creation strategies, as well as shorter term "work creation" schemes".

## RELATIONSHIPS BETWEEN THE PRINCIPAL PARTIES

These are:-



1. The Federation has a contractual relationship with the Department for the administration of Government funds. This specifies, role, autonomy, responsibility, authority and duties. The Federation acts as intermediary to approve policy for recommendation to the Government.

It also satisfies itself that policy is implemented by COF, to which it contributes by ensuring COF has an appropriate Board.

2. COF has a contractual arrangement specifying its role, relationship, autonomy, responsibilities, authority and duties.
3. The WCDA also has a contractually based 'charter' which amongst other things determines the same factors including its aims. In turn the contract guarantees non-intervention by the Department.

The whole structure is formalised to avoid relationship problems. It is based on clear aims, an accepted policy framework, mutual independence and interdependence, the credibility of the key staff and formal reporting and evaluation procedures.

LESSONS FROM N.S.W. Continued.,

CONCLUSIONS

The lessons learned in NSW are related to:-

- dependency creation/welfare thinking and its prevention,
- avoiding confusion of priorities on aims,
- avoiding the hidden, sapping effect of grant funding of autonomy/ initiative and true independent worker control,
- the need for co-operative managers to learn business lessons from successful business people.

All have echoes in the Victorian Program. NSW has taken six months to clear up the first Program, established this framework and is now beginning to move forward again.

Our conclusion is that if the policy priority is to create long term jobs through small business development in worker co-operative, self sustained, economically viable form, then NSW experience is a good model to copy.

Equally, it should be quite clear that short term job creation by community co-operatives or employment enhancement schemes are not included in the NSW WCDA as being incompatible with their aims and style. The distinction and its necessity are agreed. We do not agree that this should automatically mean that Victoria would follow suit in only pursuing worker co-operative development. The other models for development also need consideration.



## Section Fifteen

### POLICY OPTIONS

#### THREE OPTIONS EXAMINED

As requested, we looked at three options for the immediate future.

##### A. Close Down The Program

Briefly, we concluded that in the light of positive indications from the Cost Benefit analysis, even on the wholly inadequate time span of one year of elapsed time, that closure should probably be rejected. In our view, there are enough grounds for continuance provided key messages on economic viability, cost minimisation and benefit maximisation are pursued.

##### B. Continue the Program in Modified Form

We do not feel that continuance of the Program in it's current form, is an option to be given support. In fact, the funded organisations Individual Reports will reveal potential pitfalls that will or could be encountered if the current under-resourced approach is pursued. Nothing will discredit the idea of worker or community based co-operatives faster than some failures early in their development. We do not see the Ministry as being equipped with the necessary business skills, nor do we see supervision of a string of small businesses as an appropriate role for a Ministry.

##### C. Reshape and Re-embody The Program in One or More New Forms

Our recommendation is to reshape and continue on a better resourced basis.

We conclude that there is a case for support for worker co-operatives, provided economic viability and fully independent existence are guiding principles. We say this provided that co-operative development is placed on the basis of a long term policy unlikely to bear quick results. To provide the resources, there is a need for a Worker Co-operative Development Agency (WCDA) and a Common Ownership Fund (COF), on the lines of the N.S.W. scheme. i.e. neutral auspice, professional core staff, funding assessed on investment principles, money lent on favourable interest terms, business oriented support service.

To provide continued support to the other non-worker based co-operatives (the Bendigo consumer based organisation, community backed co-operatives likely to stay as such) there is a need for a Program which aims at support for organisations in co-operative form which have social aims which fall within the Ministry ambit as these organisations may take much longer to reach economic viability or may remain at sub-economic level indefinitely.

POLICY OPTIONS

Continued.

In these cases, strict attention to policies on hidden subsidies, pricing policy, economic operation, cost minimisation and benefit maximisation become even more significant. Business services to keep these organisations up to scratch could be provided on a 'fee per unit handled' basis by the proposed WCDA if that is desirable. This would make best use of resources and avoid duplicating facilities.

We comment on employability enhancement elsewhere. Any action in support of this activity should be in another Program that is outside the scope of our brief although ideas are advanced.

Lastly, those organisations in co-operative form with the priority of serving social aims which do not fall within the Ministry ambit and which do not wish to, or cannot adopt the priority of economic viability, might best seek funding on the strengths of their professed aims from other sources within Government or the community. Their funding should hinge on the role they fill not the organisational mantle they don. There is a need for policy decisions to set cut off levels.

DEVELOPMENT OF ALTERNATIVES

Should the Ministry not accept our findings, we have provided ample material and suggested criteria that might be used to weigh the above options. Accordingly, we direct our attention to the option that we advocate.

DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMSPolicy On Worker Co-operatives

If support for this form of co-operative is agreed, then:-

- the legal framework for co-operatives needs attention,
- objectives will need to be redefined (as suggested elsewhere in the Evaluation of the CDP),
- the framework of support will need restructuring,
- financial support needs to be reassessed.

POLICY OPTIONS

## DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRSM

Continued.,

Policy On Worker Co-operatives Continued.,

This should be treated as laying firm foundations for long term development in a non-party political way. We advocate the use of the common ownership concept as in N.S.W.

The legal framework for a co-operative, needs modification in order not to frustrate the purpose of the Government in co-operative development. Current law does not cater for more than one working director member, for example. There are various markeshifts that can be contrived and until a legal framework for a worker co-operative is devised, the N.S.W. model provides the least unsatisfactory framework that we can identify. legislation is definitely required in this area.

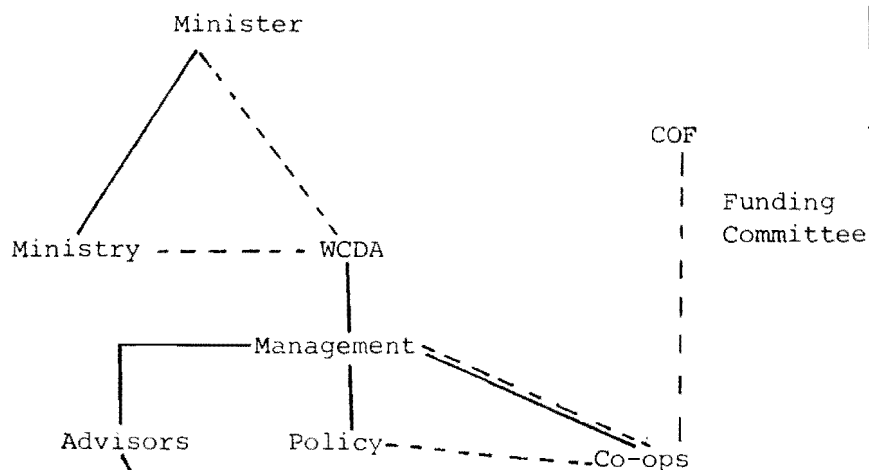
The framework of support services should recognise:-

- the need for a separate distinct identity protected as far as can be done by contractual relationships from political changes and pressures,
- the need for a small core of professional staff, hiring in skills as required and thus minimising overheads,
- a bank or revolving fund administered on business lines to provide investment funds and help overcome the equity problem.

If these ingredients are accepted, the proposed relationships might look as follows:-

Proposed Model relationships.

- equals line authority.  
 ----- equals functional links no line authority.



POLICY OPTIONS

## DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMS

Continued.

Policy On Worker Co-operatives. Continued.

1. The Minister and Ministry have no direct line authority over the WCDA, its funding policy or ways of operating. Instead there is a contractual relationship (as in N.S.W Program) specifying non-interference, responsibility of achievement of aims within the policy framework set. This neutralises all lobbying, bureaucratic pressures, competing priorities etc.
2. The Common Ownership Fund funding committee is independent of the WCDA and the Ministry. It carries out an objective independent role of assessing proposals on a business and banking investment basis within lending guidelines but again free of competing pressures to spend money on organisations outside the set guidelines.
3. The COF is purely a sympathetic source of loan funds on favourable terms to co-operatives who can justify an investment on economic grounds.
4. The WCDA management applies the minimum of rules and the maximum of encouragement to self sufficient autonomy, to let the co-operatives control their own affairs.
5. WCDA policy links with the co-operatives are to foster business viability, autonomy, self confidence and independence by 'helping them to help themselves', by 'minimum intervention' and 'transfer of knowledge'.
6. Advisory staff are successful experienced practitioners provided on a secondment basis for the co-operatives, not as consultants to the co-operatives. That is, they are on call and not imposed and work as a line manager responsible to the co-operative management for their work and not as external advisors. The WCDA monitors quality and as in N.S.W. can make grants to cover their costs where justified.

This model is on the same lines as the N.S.W. scheme as it is based on the same lessons derived from the same kind of experience over the past two years in both places. The key principle is that of firm contractual relationships of a clearly defined nature.

The WCDA and COF need not be linked to another body as they could be set up as independent Foundations for example. However, we suggest that there are longer term reasons why the link should be to the Victorian Federation of Co-operatives provided they agree. It should be pointed out that formal auspice is less significant than the calibre and credibility of the organisation established.

## DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMS

Continued.

Policy On Worker Co-operatives. Continued.

If it is given adequate responsibility, authority and resources then it becomes a discrete entity in its own right and the degree of supervision required is minimal.

## Costs

Depending on the policy choices made and the strictness of application, assuming this model is adopted for the support services, costs could be:-

WCDA	\$ 200,000	Less than current Ministry CDP overhead costs
COF	\$ 200,000	Equivalent to N.S.W. initial sum.
Continued aid to worker co-operatives	\$ 300,000	Assuming gradual growth
Continued aid to community co-operatives	\$ 200,000	Assuming continued support.
New venture initial grants	\$ 100,000	Assuming 2/3 new ventures occur
	<hr/> \$1,000,000	

Longer Term Policy Options

It is our conclusion that the first priority is to re-define Program objectives and to set in place an adequate support structure.

Thereafter, there is scope to move on to a more proactive role of promoting worker co-operatives; but not before machinery can cope adequately. Thus, we see the development of conversions of conventional businesses as a future policy option and not an immediate activity. In order to consider the point we set out some salient aspects of the subject.

## DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMS Continued.,

## Conversion to Co-operative Form

By conversion we refer to conversion to worker co-operative as the subject of this section.

There are a number of general points that need to be made :-

1. The existing support capability in the Ministry and support units is not up to the task of a major conversion exercise or a string of smaller conversions.

Key aspects would be investment appraisal from a banking viewpoint; technical assessment of companies by staff of line management, successful accomplishment, financial analysis, marketing and management consultant skills to reorient, restructure or redirect an organisation by intensive effort in possibly a very short period of time.

2. There is no ready legal framework to incorporate a company becoming a worker co-operative (unless the N.S.W. model of common ownership company is speedily adopted) which will overcome the current co-operative legal framework problem of only one worker director being legally allowed on the Board (hence not complying with the prime definition of a co-operative).

3. We do not see a grant (or loan with moratorium on interest and repayment) as the right medium of assistance (dependence creation; funding revenue not investment and other arguments). In particular it will be very difficult to justify in public a decision to grant a group of people many thousands of dollars to put into a rescued company or to promptly pay over to the former owner as purchase price. \$100,000 spent in this way will not buy even a modest small business.

4. Generation or supply of equity capital is a perennial problem of even established co-operatives round the world. Until the imperative to build an adequate capital base is recognised, accepted and acted on by the support staff of a future Program there will be no progress from dependency to full economic viability. This does not mean encouragement to 'little capitalism' it does mean attention to a set of equity increasing policies and mechanisms dealt with elsewhere under 'Equity'.

## DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMS

Continued.,

## Conversion to Co-operative Form      Continued.,

5. Promotional effort in the form of the Ministry announcing the availability of finance for conversions would lead to a flood of pleas for rescue attempts for companies under threat in the current climate. (The U.K. Midlands experienced a situation with over 300 enquiries within days of a similar announcement). The machinery and support systems would not cope. The political pressures could build up and cause problems.

This prompts us to return to the issue of calibre of staff handling a future Program. They must carry credibility in two directions - out into the business market to selectively generate suitable contacts and secondly with the co-operative members and supporters who recognise the need for viability. We do not see this existing in both areas at present. Putting such a person in place would be a precondition of further development.

As a rough guide, the person heading the W.C.D.A. should be at least equivalent to a General Manager in a medium sized company but of wider horizons, diplomacy and representational skills.

Our Conclusions and Recommendations on Conversions are :-

The Ministry should not proceed with conversions until :-

- The support structure exists and is 'run in'.
- A legal framework is made ready.
- A suitable interest bearing loan making organisation and infrastructures are established
- Equity generation policies are agreed, tried and tested in practice.
- Selective promotional policies are devised and progressively initiated.

In the light of N.S.W. experience we cannot see this being the case under 9 months.

We could go on to provide a mass of guidance devised from consultancy 'company doctoring' on how to go about conversions. Frankly we see no point in that, it would be interesting material, not put in the right hands at this time. Alternatively, we would be stating the obvious to the successful banking and business experienced successful persons we advocate.

DEVELOPMENT OF ALTERNATIVE RESTRUCTURED PROGRAMS

Continued.,

Conversion to Co-operative Form

Continued.,

Longer term we see ample scope for conversions from :-

1. Selective 'culling' of firms in need of rescue.  
Causes of business failure can include :-
  - over-rapid expansion.
  - over extension of capital base.
  - 'stepping stone' problems of having to move from one size of enterprise to another to keep up with a market.
  - failure of will, vision or managerial drive in an otherwise viable company.
2. - Desire to retire, with no obvious heirs.
3. - Selling off part of a corporation that no longer fits.
  - Sales prompted by altruism : Last but far from least. Experience has pointed to a small but significant element coming from this motive.

Community Economic Development

As mentioned in other sections, we see the community basis for many ventures as being an initial transitional phase only.

We believe new ventures arising should be oriented towards either aiding the development of a worker co-operative if a firm basis exists for one, or focussing on an employability enhancement/job creation approach if that is the priority aim.

We suggest that it is only in the case of those co-operatives producing a benefit to community members, as the radio stations do, that benefit will generate lasting involvement and hence constitute grounds for continuance as a community co-operative.

Thus in most cases community economic development ventures should be seen as indicators, not the operators of schemes.



POLICY OPTIONS

## COMMUNITY ECONOMIC DEVELOPMENT Continued.,

Overseas experience points to such organisations as having a large capacity to soak up funds for revenue expenditure of low cost-benefit results. Unless there is Government willingness to allow a volume of funds and activity to produce results from sheer weight of resources, with low expectations of returns, at least in the short term, then we do not see this as a good line of development. Overseas experience shows a high capacity for generating well meant but not very effective action and the proliferation of welfare oriented activities which might be better carried out on a more structured formalised and planned basis. The only significant potential model in the Program is Ballarat which has spent relatively large sums of money on feasibility studies, only one of which has been pursued at the time of writing and which may take many years to recover the money expended on other studies if it is the sole outcome. We are not saying that community involvement is not a good thing and does not have a place. What we are advocating is the restriction of that activity to voluntary or marginally funded forae for the articulation of local needs, the identification of potential prospects, the creation of policy bodies as required and the mechanism for submitting proposals for aid from appropriate Government programs. We do not support going beyond this to establish organisations and activities aimed at new business creation, co-operatives etc. (These bodies rarely generate the professional expertise to do so effectively). For the near future it would be better to establish one clear cut Agency and concentrate on its effective development rather than proliferation, of small local, inevitably amateurish organisations. Should the money become available to multiply efforts of this kind then we would advocate that the same professional approach be adopted as we suggest for the WCDA.

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION.

Three of the 19 funded co-operatives stand out as having significance for potential lessons for a quite different field of activity as compared to the establishment of viable member owned and controlled co-operatives. Instead they have interesting potentialities in the field of employability enhancement which often overlaps with the term short term job creation.

We must stress that these perceptions as to their situation and prospects are entirely our own and have not arisen from suggestions or discussion with those co-operatives named. They may or may not agree with the picture that we paint.

POLICY OPTIONS

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION.

Continued.

Background

(The three examples dealt with are Stawell, Geelong and Ballarat).

All three examples grew out of community concern about unemployment and the desire to do something positive for unemployed young people. Thus the role is primarily short term job creation or employability enhancement with hopes of longer term job creation. Looked at in this light, the co-operative structure may or may not be an appropriate vehicle.

If we look back at Stawell's history in particular, we see some interesting success in employability enhancement. One of Stawell's interesting messages is that exposure to the community by the young people going out promoting their seed packing service has enhanced their credibility and helped substantially in encouraging prospective employers to take them on. Geelong is still in formative stages and Ballarat has gone through different evolutionary processes. Our comments are primarily directed to the tree establishment service and the EIP unit. The former has progressed far enough to be on the economic viability path but had this not been the case there would still have been useful benefits derived.

Defining The Problem

In the economy, we have high unemployment of young persons and unfortunately it looks that this will persist for some time. We see an urgent need for some model of organisation to assist them. As in many countries, this has been addressed by various forms of programs called job creation. In reality, they are more correctly defined as 'job hiring' as the degree of independent economic viability generated is usually marginal. Around the world, there has been persistent concern that these schemes may in fact raise expectations which they cannot meet and turn out to be counter productive in the longer term. The usual issues raised about the short term job creation schemes are:-

- they raise expectations that are not met,
- the jobs are artificial not 'real',
- the participants know that genuine productive effort is not inherent in the situation and therefore they start to develop attitudes, leading to a 'low reward, low performance', behaviour pattern.
- skill development, skill transferability and lasting impact on employability enhancement may be low.

POLICY OPTIONS

EMPLOYABILITY ENHANCEMENT AND JOB CREATION.

Continued.

Defining The Problem. Continued.

In this paper, we suggest some lines of investigation that attempt to avoid these pitfalls. What we propose is investigation of the possibility for a type of organisation which addresses the current existing needs of young unemployed people as a first priority. We then look at the organisational framework which might best achieve these aims.

We see the priorities of young unemployed persons as being:-

- income,
- useful activity,
- practical transferable skill development,
- attitude, morale, self esteem improvement.

Just as strict attention to priority on aims is a key argument in determining the de-facto as opposed to the nominal nature of co-operatives, we believe that if we attach priority to the above aims then this should determine the organisational framework. Other aims of becoming a co-operative, generating long term employment, etc, are desirable but should be addressed by some other organisation and perhaps in some other Program. We believe that there should be a Program and a type of organisation aimed at assisting unemployed youth on the basis of the lessons derived from the actual experience in the CDP.

If one looks for the opposite example of how not to go about addressing these aims, then sadly Public Images is a live case example. The group costs more per head to keep in existence than their entire unemployment benefits would have been. They also produce very little in the way of counter balancing benefits when one compares them with other models in the 19 funded co-operatives. We leave aside the issue of the value of a mural to the community at large. If they are funded on the strengths of art criteria then that is a quite separate issue.

Returning to the main theme the evidence from overseas, the U.K., New Zealand, the U.S.A. etc, as well as from N.S.W. is that one must examine the priority order of the problems or barriers which prevent unemployed younger people moving into the work force. In this paper we concentrate on that sector of the unemployed who might otherwise generate their own place in the workforce by becoming self-employed in the provisions of goods or services, might start small businesses or else overcome barriers and join the workforce as employees in established organisations. In other words, we are looking at employability enhancement at the margin. This approach whittles down the problem.

EMPLOYABILITY ENHANCEMENT AND JOB CREATION.

Continued.

Defining The Problems. Continued

Other ideas for the more serious problem of long term and deep rooted unemployment are touched upon but are not the main theme.

Attention to limiting factors which hold unemployed young people back from moving naturally into the workforce by becoming involved in some job creating activity, highlights the following points:-

1. Access to resources is the most important point.
2. Encouragement and scope are next most vital.
3. A process of phasing out unemployment benefits or some equivalent income supplement has to take account of the pace and amount of income they generate from their own efforts.
4. Personal skills to organise, manage money, plan, develop and direct themselves and their business activities are all key skills which stand them in good stead whatever their subsequent unemployment, but all of which have to be learned from experience. Most unemployed have very little academic background in these aspects and in any case they are life skills best learned in the work place. They are relatively readily identifiable and packaged.
5. Overcoming bureaucracy, regulations and red tape and avoidance of problems is often a significant psychological barrier which can be overcome.
6. Lastly, given the right policies, plans, energy and initiative, it is surprising how little capital investment may be required to launch a service for example. Since the service area is a major growth prospect in the economy this is noteworthy.

From the above points, it logically follows that one should shape the organisational framework to provide the resources in the way best geared to the priority aims.

POLICY OPTIONS

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION

Continued.

Options

This suggests:

- A. Young unemployed persons should either be provided with a well structured organisation from which they can learn good work habits, attitudes which will aid employment, practical skills and disciplines which are transferable etc. This clearly assumes that we know for what jobs we are training them and takes us along the lines of the traditional apprenticeship or other job training systems. Clearly that is not always appropriate. A variant I have seen applied in Northern Ireland is that the Program recognised that they could not predict the jobs that persons might go to so instead of training them for a job they trained them on how to analyse and learn a job, so that no matter what prospect came up the person could demonstrate adaptability and the potential to get to grips with the opportunity quickly.
  
- B. Alternatively, young unemployed persons should be given what I can only describe as an adventure training opportunity. This should be on an open, unstructured, 'no promises, no rules, no supervision'; style of operation. In this situation they are presented with the chance and scope to tackle work generation on their own initiative. Clearly it is no surprise that the second method has demonstrated best results at or near the margin of the unemployed group. There are lessons to be learnt from the initial stages of the N.S.W. Program and also this ties in with the lines of thought inherent in recent public statements by Pauline Toner M.P.

In either of the two above cases it is equally important that policies aim at avoiding dependency creation.

To carry out either of the above two ways of operating, a 'centre-periphery' model of organisation is appropriate. A co-operative structure or, worse still, a collective approach is the least suitable for setting the framework, although it may be appropriate for small groups within such a scheme.

By centre-periphery model we mean a quite distinct organisational model which has examples in general industry and commerce, not just in this field. In essence, this is an organisation which concentrates scarce skills or resources in the centre. This centre provides help on demand to the periphery of independent, autonomous subsidiaries or in some circumstances, subordinates. The key element in this concept is that the central resources are available on demand and the help is not imposed but requested.

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION

Continued.

Options Continued.,

e.g. A holding company might see the key skills as being:-

- business appraisal and financial analysis,
- marketing,
- import and export procedures, perhaps.

All three skills might be used by a number of peripheral units on a demand basis, as needed. In many cases the subsidiary pays for what it uses.

Transferring this model to employability enhancement or short term job creation organisation, the reality is that the centre may diminish to one paid employee. It is therefore critical that this person embodies the appropriate set of priorities, aims, approach, skills, understanding, training and progress appraisal skills. Here we see Geelong as an interesting model to assess.

At this point it is appropriate to say something about access to resources. Research on new business creation of all kinds highlights this as being one of the biggest barriers to persons moving into employment of a self-generated kind. Access to funds, ability to handle red tape, access to supplementary skills such as sales, marketing, technical or accounting come second. By access to resources we mean such basics as a modest amount of premises, a telephone, minimal office services, information on where to go or to whom to turn for help. This runs entirely counter to the conventional thinking that lack of money is the problem and the provision of money is the answer. Instead, we concentrate on lowering the first of the barriers to moving into employment.

If we turn our attention to Victoria examples and to N.S.W. experience again, we can see that in Geelong and Stawell that the key to progress to date has been access to suitable cheap or free facilities. In other words a place to work from. In Ballarat the key is access in an established group who have learned practical survival lessons. A case could be made that Maryborough and Public Images could well have achieved much better cost benefit results organised on the lines we advocate if the logic was fully and properly followed. Overseas experience is that access to such workshop facilities, nursery factories, favourable term rented premises and so on has triggered off job creation and assisted employability enhancement. It is significant that the New Town Corporations in Britain virtually all have a carefully graded ladder of size of premises and rental terms to offer different categories of business ventures or individuals. One of the most interesting attempts to recover lost jobs in an area of very high unemployment is the British Steel Clyde Ironworks experiment. British Steel shut down a major plant and proceeded to clear the site.

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION

Continued.

Options Continued.,

They realised that the vacant land would lie idle for years and that they had a social obligation to make the best use they could of ancillary buildings on the site. They turned them into 1,000 square feet, 2,000 square feet etc, units which were let at a very low rates to individuals, partners or small companies. This brought over 100 jobs into existence in a matter of weeks. Many of those businesses are leaving the nest and moving out into larger premises. One has to look at the degree to which lack of access to such facilities is a factor in the local scene. This is not an attempt to advocate some blanket approach but to derive some practical lessons from hard experience.

We might take into account the views expressed from experience of involvement in the N.S.W. early stages of their Co-operative Development Program. The views are interesting in that they lean heavily towards what we have called an adventure training approach. In brief, they advocate :-

1. Provision of a workshop for the person or small group with minimal rules, minimal supervision and no rent for a set initial period. The group has 'open go' to do what they want and can call on the key man running the unit for advice or guidance, or not as they desire. They do have a plain simple target to meet, in that after six months a rent will be charged on the premises at half the economic value. Failing to meet that target means that they drop out of the Program. They have had their chance on the basis of no promises, no expectations. If they make the grade by their own efforts well and good. If not, they have at least, occupied themselves constructively, their morale is usually improved and they have had some benefit out of the time period.
2. Those going on to a semi-economic basis have a new target set for them of having to pay full economic rent by the end of their first year, if not they move out.

Lastly, at 18 months the rent is stepped up to a level higher than the economic rate prevailing in the locality. This is so that they can do better by vacating the nursery facilities to leave room for others. It pushes them out into the world and encourages them to become fully independent.

This hard nosed approach sounds unfeeling but was advocated by experienced advisory staff with every sympathy with the young unemployed people's problems.

## EMPLOYABILITY ENHANCEMENT AND JOB CREATION

Continued.,

Options

Continued.,

A brief Cost Benefit model might have these headings :-

<u>Costs</u>	<u>Benefits</u>
Premises (low?)	Some rent.
Basic wages (same or less if progressive by diminished as other income grows)	Reduced unemployment pay.
	Increased economic activity.
Key man's cost and overheads.	Skill development, market value enhancement.
	Morale, motivation, self esteem support
	Reduced welfare costs on social services(?)
Possible new businesses (Co-operatives or conventional)	

It should be stressed that we follow the logic of attaching priority to the needs of the young unemployed. The creation of long term jobs is a welcome second stage output if it happens.

We suggest that the absorption of unemployed time, energies and initiative as the way to markedly superior to leaving them with nothing but unemployment pay.

By reorienting priority of aim in this fashion then the complexity of the consumer co-operative or worker co-operative form is not essential. Community support at policy level is highly desirable but can arise in conjunction with initiating such schemes.

Cost minimisation/benefit maximisation should be the guiding principle.



EMPLOYABILITY ENHANCEMENT AND JOB CREATION

Continued.,

Conclusions

We advocate an examination of the prospects of the above approach not least by consideration of the funded organisations we mention, who are in the C.D.P.

We are convinced that more rapid impact in a practical way on short term issues is desirable as well as other Programs aimed at long term job creation. As Keynes said "In the long term we are all dead" - there is only a succession of short terms.

Section SixteenCONCLUSIONS AND RECOMMENDATIONS ON THE PROGRAM AS A WHOLE

This section is written in fairly condensed form, in a repeated sequence of Findings, Evidence, (location of substantiating material) and Recommendations.

It summarises conclusions and recommendations made on different aspects of the Program which are recorded in the general text of the Report, wherever they naturally occur.

The findings have to meet the requirements of the brief to look at both evaluation and validation; past results and future possibilities. Inevitably there is some repetition. A number of findings can give rise to the same recommendation. (For example) We have attempted to minimise repetition but for completeness a brief entry is given even when the topic is dealt with elsewhere in the section.

To make the section more manageable, results are grouped under the following headings :-

	<u>No. of Findings</u>
Conclusions on the Policy Framework	3
Conclusions on the Conceptual Framework	9
Evaluation of the Program	5
Validation of the Program	4

Thus the movement is from the general to the specific and from the past to the future, ending up with an Executive Summary.

N.B.: The entries under 'Evidence' refer to Report Sections.

The headings are given in slightly abbreviated form.

## CONCLUSIONS ON THE POLICY FRAMEWORK

1. Findings

The Program has enjoyed the support of both Liberal and Labor Governments as an experiment aimed at development of positive ideas on long term job creation, community involvement, worker co-operation and job satisfaction.

As an experiment it has experienced a process of evolution, shifts in emphasis, problems of insufficient support resources and lack of comparative knowledge or experience to draw upon.

Given these limitations there has been substantial progress. A number of successes and substantial achievements can be identified by cost benefit analysis. Equally there is recognition of areas of concern, problems and policy issues to be addressed.

Evidence

The Policy Framework  
The History of the Program  
The Overall Brief  
Cost Benefit Analysis Section

C.M.R.  
Recommendation

Our recommendation is to place the encouragement of co-operatives in the context of a long term policy of "common ownership"; which is non-partisan and raises least prospects of the funding of co-operatives becoming a party political issue at some later date. This would be in line with New South Wales policies. Industrial democracy is an aim of many co-operatives but

- a, should not be the overall determinant of support for them and
- b, the case for how lessons can be derived from their experience to transfer to the rest of the industrial community is at best unproven at this date, in our view.

## DEFINITIONS OF ROLE BY PRIORITY ON AIMS

2. Findings

We conclude that the following distinctions are deceptively simple ones, but they are highly significant. It is a matter of interpretation of co-operative philosophy by critical perception and judgement

- Priorities attached to different ends and means.
- The concept of economic viability as a business.
- The concept of independent or autonomous worker/member ownership and control.
- The use of CDP funds as investment not for revenue items of wages and operating cost.

## CONCLUSIONS ON THE POLICY FRAMEWORK Continued.,

## Definitions of Role by Priority on Aims Continued.,

2 . Evidence

Definitions and Assumptions  
 Conclusions on Funded Co-operatives  
 Individual Co-operatives Reports Sections  
 1,2, and 6.

C.M.R.  
Recommendation

We recommend that these distinctions and definitions be recognised in re-defining Policy and Program guidelines.

3 . Findings

We conclude that there needs to be a recognition that different approaches may be required for :-

- a. Economically viable co-operatives (business viability).  
 (See Definitions and Assumptions, Viability Criteria).
- b. Socially viable co-operatives.  
 (See Definitions and Assumptions, Viability Criteria).

We do not choose between them, nor decide which should be treated in which way. We do provide measures to identify the position a funded co-operative occupies on the spectrum between these two categories. It is for the Government to decide 'cut off points' if our analysis is accepted.

Evidence

Conclusions on the Funded Co-operative  
 Definitions and Assumptions.  
 Individual Co-operatives Reports Sections 4.5, and 6.

Recommendation

The analytical and conceptual tools provided should be applied in the formulation of policy on support Programs.

## CONCLUSIONS ON THE CONCEPTUAL FRAMEWORK Continued.,

1. Findings

Co-operative principles emphasize complete member ownership and control. One cannot have control if an external organisation can influence or impose decisions.

Evidence

Definitions and Assumptions.  
Funding Committee role in Policy Options  
and Individual Reports on Co-operatives.

Recommendations

Establishment of a Worker Co-operative Development Agency and Common Ownership Fund on lines already adopted in N.S.W. (Referred to, in brief, as WCDA or COF).

2. Findings

From the evidence seen we conclude:-

- a. Many co-operatives attempt collective decision-taking on policy, executive and work organisational levels all at once. This goes well beyond any single industrial democracy model operated by any other than very small, very atypical organisations or ones enjoying the luxury of economic circumstances which allow them to indulge in cultural experimentation.  
(Not many in today's harsh economic climate).
- b. Decision-making is considered as one subject, despite the fact that the nature of the decisions can alter the process as to how the decisions could or should be made. Three levels need to be recognised, policy, executive and work organisation.
- c. A further conclusion is that smaller amounts of increased participation, involvement, or opportunities for a stake in ownership and work organisation, are more readily attainable, would generate greater satisfaction and benefit for a vastly greater number at marginal costs, relative to the numbers affected. This is a policy issue deserving of attention and on which constructive ideas can be advanced but which is not within the scope of the current Report.

Evidence

General industrial consulting experiences over 15 years.  
Academic and business readings.  
Definitions and Assumptions.  
Conclusions on Funded Co-operatives.  
Individual Co-operatives Reports.

## CONCLUSIONS ON THE CONCEPTUAL FRAMEWORK Continued.,

2. Recommendations It is inconsistent with what we have said about independent ownership and control to impose any views on funded co-operatives. However, those funded organisations attempting a collective approach should be aided to make better informed choices, by provision of knowledge as to the nature and types of decisions in a business enterprise, the processes of decision-making; the plus and minus aspects of particular ways of operating and how to cost their own use of time to teach them to think in economic terms and make 'industrial democratic' decisions about the use of time.
3. Findings Not every organisation labelled a "co-operative" is one; in terms of the correct definition of a co-operative.
- Attention must be built to the true nature of an organisation according to the priority it attaches to particular aims as the priority of the aim can radically change the role, nature and function of the organisation.
- Evidence Conclusions on Funded Co-operatives.  
Individual Co-operatives Reports.
- Recommendations Programs should fund by actual not professed nature.
4. Findings Hidden subsidisation of third parties, (i.e. not member/owners or workers in the co-operative) normally customers or suppliers, can be an indicator that priority is attached not to co-operative principles of self help for members but to acting as an aid distribution agency for those third parties.
- Evidence Definitions and Assumptions.  
Conclusions on Funded Co-operatives.  
Individual Co-operatives Reports.
- Recommendations
1. Hidden subsidisation has no place in a Program aimed at encouraging correctly defined viable independent co-operatives.
  2. Social organisations in sub-optimal situations with a priority aim of subsidising third parties should be in a separate Program, have cost minimisation, benefit maximisation policies and guidelines applied to them, The subsidies should be overt, recognised, justified politically and administratively, measured, controlled and ideally directed or paid to the beneficiary and not the intermediary.

## CONCLUSIONS ON THE CONCEPTUAL FRAMEWORK Continued.,

5. Findings Economic viability is a term which cannot be described of itself but can be described in terms of 'indicators' or sets of conditions which exist when viability is achieved or achievable. Such "viability criteria" have been derived and can be used to identify prospects for funding, assess their potential, monitor their progress, help to set Program guidelines.
- Evidence Definitions and Assumptions - Section on Viability Criteria.  
Application in all Individual Reports.
- Recommendation Viability criteria should be used to :-  
 - set Program guidelines.  
 - identify prospects for funding  
 - assess the prospect's potential  
 - monitor funded organisations progress in the Program.
- Industrial Democracy
6. Findings The section of definitions deals with the fallacy of using this term to describe an open-ended situation where continued subsidisation from a third party, the Government, relaxes the normal constraints and hard choices that constitute decision-making for industry and commerce.
- Our conclusion is that not too many lessons on industrial democracy can be drawn from the currently funded co-operatives because of the lack of comparability of situation. However, there is strong evidence of the participants' conviction that open management generates morale, motivational and job satisfaction rewards. The transfer to industry of lessons from this Program is potentially small. Many of the views articulated are already embodied in better working examples in conventional industry.
- Evidence Definitions and Assumptions  
Conclusions on Funded Co-operatives  
Evaluation of Program, Validation of Program.
- Recommendation Continue to support Worker Co-operative Development  
Pursue legislative and other general approaches.

## CONCLUSIONS ON THE CONCEPTUAL FRAMEWORK Continued.,

## Industrial Democracy

7. Findings This does not negate the importance of efforts to improve industrial democracy and a second conclusion is that there is ample scope for continued improvement in the organisational environment of industry and commerce through such other influences as :-

Legislation

Education (all levels)

Trade Unions

Training

Health, safety and welfare

Quality and productivity improvement

Evidence

General industrial consulting experience over 15 years.  
Business Academic and readings.

8. Findings Whereas the bulk of industrial and commercial employees would be in organisations with some functional split of the following kind :-

board	-	policy decisions
executives	-	management implementation of policy decisions
supervisor/worker	-	work organisational decisions.

the funded groups are so small as to telescope all these into a confused picture and misunderstand this to be sophisticated, would be 'industrial democracy'.

Evidence

General industrial consultancy experience.



## CONCLUSIONS ON THE CONCEPTUAL FRAMEWORK Continued.,

9. Findings

Funded co-operatives have not been of a nature or sophistication to come to terms with :-

- functionally different levels of decision making that larger work organisation demands
- the generation of leadership without the emergence of leaders and de-facto hierarchical authority.

Evidence

Individual Reports;  
Ministry files.  
Interviews.

## EVALUATION OF THE PROGRAM

## Overall Conclusions

1. Findings

- a. The Program objectives were sound in principle (but were formed in too general terms.)
- b. We conclude that the time has come to end the experimental phase, to draw a clear distinction and to re-define a Program or Programs with clear guidelines to embrace chosen options.

Evidence

- a. Cost Benefit Analysis  
Conclusions on Funded Co-operatives  
Definitions and Assumptions  
Individual Co-operatives Reports.
- b. Individual Reports  
Validation of the Program  
Co-operatives Progress and Nature of Funded Co-operatives.  
Lessons from N.S.W. Co-operatives Development Assistance Programs.

## C.M.R.

Recommendation

## Policy Options

- A. Briefly, we concluded that in the light of positive indications from the Cost Benefit analysis, even on the wholly inadequate time span of one year of elapsed time, that a closure should probably be rejected. In our view there are enough grounds for continuance; provided key messages on economic viability, cost minimisation and benefit maximisation are pursued.
- B. We do not feel that continuance of the Program in it's current form, is an option to be given support. In fact, the funded organisations individual reports will reveal potential pitfalls that will or could be encountered if the current under-resourced approach is pursued. Nothing will discredit the idea of worker or community based co-operatives faster than some failures early in their development. We do not see the Ministry as being equipped with the necessary business skills, nor do we see supervision of a string of small businesses as an appropriate role for a Ministry.
- C. Our recommendation is to reshape and continue on a better resourced basis.

## EVALUATION OF THE PROGRAM Continued.,

## Overall Conclusions

2. Findings

Objective One. "To establish viable, new small-scale business enterprises or employment-generating modification to existing businesses, through work co-operative ventures"; This is a desirable aim but the term 'work co-operatives' is too loose. It needs definition.

Evidence

Conclusions on Funded Co-operatives-  
Section 5 to 13 and tables "The Nature of  
Funded Co-operatives": "History of  
Funded Co-operatives".

Viability aim:

Tables "Co-operatives Progress"

"Economic Viability measured by Break Even."

## C.M.R.

Recommendation

We recommend that clear distinctions be made between

- i. Worker co-operatives (worker-member owned and controlled).
- ii. Community backed co-operatives (community-member backed or controlled); serving a socially viable purpose.
- iii. Consumer co-operatives (of which there is currently one in the Program).
- iv. Funded organisations that have a good case for Government support but do not best fit within this style of Program. This is because they attach different priorities to rather similar sets of aims. These differences of emphasis have significant consequences and require different support activities. Social aims and viability as an aid distributor need to be addressed by setting new policy guidelines but may or may not be in this Ministry's ambit.
- v. Employability enhancement/job creation schemes.

## EVALUATION OF THE PROGRAM Continued.,

## Overall Conclusions

3. Findings

Objective Two. "To enhance the effective integration of the training and social resources required to provide for the longer term viability of work co-operatives."

Objective Two is so generalised as to leave one guessing the true interpretation. We take it to refer to all aspects of support to the Program.

## Support Resources

We consider that the nature and calibre of support resources provided to the Program from the Ministry, Business Advisor and Education and Training Unit have been very insufficient. They fall well short of the standard we judge to be necessary to lift recently formed, struggling new businesses in co-operative form to economic and or social viability.

Our conclusion is that unless practical, successful businessmen of line experience are used to assist the co-operatives to learn about running the business side of the co-operative, their progress will be severely handicapped, if not jeopardised. Continuance on the current basis we see as having political, organisational and financial risks for the Ministry.

Evidence

## Summary of Conclusions and Recommendation on Funded Co-operatives.

Considering the time involved and money expended to date, the results are disquieting in terms of relatively slow progress in tackling such issues as :-

- The low element of accumulated investment, as opposed to funding of current expenses shown in the accounts of the Program. Table A in Cost Section of Cost Benefit.
- Business management skills and financial understanding are low in the co-operatives and in relative terms are not strong in Program support and administrative staff. The level of realism displayed by co-operative is often accentuated by limited potential to acquire skills. The support services have had little impact even given their limited time in existence. See Individual Reports.
- Some co-operatives do not have a basic competency in the technical skills of the trade they have chosen. See Individual Reports.

## EVALUATION OF THE PROGRAM Continued.,

## Overall Conclusions

3. Evidence  
Continued.,

- Money spent on external consultancy and advisory services (legal, accounting, marketing etc), has not in our judgement been well spent or effective.

Against this background only a considerable upgrading of business skill can contribute to overcoming these inherent problems.

Against such a background it is very doubtful if one can expect a return within three to five years, far less a shorter time.

Validation of Program;  
Conclusions on Funded Co-operatives;  
Individual Reports.

C.M.R.  
Recommendation

An alternative might be :-

"The Program will aim to identify the short and long term requirements for support wanted or needed by the co-operatives and mobilise effectively the resources at its disposal, (direct and indirect), to maximise their effective and efficient use; to achieve more benefit to the co-operatives at least cost achievable, consistent with the desired timing and quality of results.

The recommendation is that these resources be provided in the form already adopted in New South Wales by a Worker Co-operative Development Agency, Development Fund and the use of business experienced key staff.

4. Findings

Second Part of Objective One. "It was hoped that these ventures might thereby lead to :-

Improved economic well-being and social conditions for those unemployed facing difficulties in entering or re-entering employment, and enhanced employability for participants generally;"

As regards the issue of employability enhancement we believe that some interesting ideas emerge from some of the funded co-operatives, which tie up with experience in N.S.W. and overseas.

## EVALUATION OF THE PROGRAM Continued.,

## Overall Conclusions

4. Continued.,  
Evidence

Lessons from N.S.W. Co-operative Development Assistance Program.  
Employability Enhancement Section of Policy Options, Development of Alternative Structured Programs .

C.M.R.  
Recommendation

Policy Options Proposed W.D.C.A. and C.O.F

5. Findings

The secondary parts of Objective One are apt but the significance of the use of unused or under utilised resources should be seen as a relatively lower level issue.

Evidence

Individual Reports Sections 3.4  
Policy Options; Employability Enhancement Section.

C.M.R.  
Recommendation

Access to resources should be established as the priority element in determining the nature and scope of aid to unemployed persons through employability enhancement/job creation schemes. (This subject is outside the scope of the Report brief so it is not developed further).

## VALIDATION OF THE PROGRAM - Overall Impact

### 1. Findings

Did the Program achieve its objectives?

If we look to the cost benefit analysis, the results are hard to judge as yet. A normal pattern of events is for benefits to accrue at an increasing rate over a number of years following an investment; with the largest benefit amounts in the later periods.

Here we are measuring the results virtually within a year of making the investment and the returns correspondingly understate the likely outcome given longer time to accrue.

Nevertheless, the CDP has,

- Kept in being a significant number of jobs.
- Created direct and indirect additional full-time part-time and casual employment for a smaller number of persons.
- Generated greater economic activity.
- Kept a sizeable number of persons and their dependents in economic circumstances at least above a line where they would otherwise have become a potentially heavy charge on social service of all kinds.
- Generated direct and indirect tax income for Federal and State Government.

On the negative side, the choice of projects has not been strong in creating new business as opposed to competing with established businesses.

The standard of business skills developed is low and the result could potentially have been made greater had a higher calibre of support resources (not money) been provided.

We have commented on the progress to viability of the individual co-operatives. A number are well on the way. A number are struggling and some never set out to achieve it or did so in unproductive ways. We believe that the proportion making progress could be increased with proper support and more business oriented attitudes. This does not imply any shift away from co-operation properly defined. It does imply a shift away from dependency. Future results will hinge largely on whether this policy issue is addressed and how effectively it is implemented, assuming it is taken up.

# VALIDATION OF THE PROGRAM - Overall Impact Continued.,

## 1. Continued.,

### Evidence

Cost Benefit Analysis Section, Sub-sections :-

Benefits Tables J, K

Benefits Tables K

Tables G, H

Tables J & K Individual Reports Section 4.

Tables L,N in Benefits

Table B in Costs.

Table M and Individual Reports, Sections 4 and 6.

Individual Reports Section 6 and 7.

Discussion of dependency in Definitions and Assumptions.

### C.M.R.

### Recommendation

These results reinforce our recommendations to pursue reshaped Programs with the more promising economically viable co-operatives in a W.D.C.A. framework and to continue a second Program only for those co-operatives of 'social' nature judged worthy of continued support (i.e. community backed co-operatives and the one consumer co-operative). The results on employability enhancement/job creation exercises, Geelong, Stawell and Ballarat warrant further studies along the lines set out in Policy Options.

### Administration and Funding

## 2. Findings

This has caused considerable difficulties to the organisations the Program sets out to help.

At the core of the problem is a conflict between the short term disciplines, constraints and horizons imposed on any bureaucracy and the fact that aiding new business start-ups, of any organisational nature, ideally requires consistency, long time horizons, flexibility of response to needs, provision of aid and long term funding as dictated by the timing required by the recipient body and not by the machinery of a large bureaucracy geared to short term budgets and (theoretically at least) no guarantees of future support.

All this amounts in our view to a strong conclusion that aid direct from the Ministry is inappropriate as a long term option.



## VALIDATION OF THE PROGRAM - Overall Impact Continued.,

2. Evidence Evidence from Ministry files on Co-operatives.  
Attendance at funding Committee Meetings by consultants.  
Individual Co-operatives Reports Section 2,3,4,..  
Open Meeting with persons from funded Co-operatives.

## C.M.R.

Recommendation

Creation of a Worker Co-operative Development Agency and Common Ownership Fund as set out in more detail below.

## Dependency Creation

3. Findings The degree of dependency on Government funds has been too great and may continue if allowed to do so. Too much stress has been laid on grants (including loans with a moratorium on interest). Instead, interest bearing loans on favourable terms should be used. (The significance of this difference is best seen by looking at N.S.W. experience).

The lack of grasp of viability issues by co-operatives has been compounded by the nature, level and structure of support services.

As regards skills in co-operatives, the results have not been as good as could have been achieved had business skills been seen as a basic necessity on which to build a co-operative approach rather than, as seen by some, alien ideas to be rejected.

The supposed hostility of the business scene is a problem of two derivations :-

1. Co-operatives, by their very structure, have equity base problems. In turn this causes them to run into difficulties when approaching financial institutions who apply the normal rules of looking for security.

It is not that they apply stricter or different rules, just that co-operatives have a stiffer task to face in meeting them.

2. The second issue is one of perception, defensiveness, alienation and defeatism by those who found co-operatives, often as a reaction to harsh experience in unemployment or the regular workforce. In our view, they tend to project their feelings on to others and expect attitudes or reactions that do not exist or are not nearly as strong as they think.

# VALIDATION OF THE PROGRAM - Overall Impact. Continued.,

## 3. Evidence

Cost Benefit Analysis; Table A 'The lessons from N.S.W. etc'.

Individual Reports; Section 3.

Ministry Files.

Individual interviews with co-operative members in all 19 co-operatives.

Equity capital issue discussed in Lessons from N.S.W.

Interviews with individuals in co-operatives.

Attendance at funding committee meetings.

Observation contrasted with operational experience of general consultancy.

## C.M.R.

### Recommendation

A Co-operative Development Agency should be set up on the following principles mirroring those adopted in New South Wales :-

A 'contractual relationship' with the Ministry guaranteeing;

- adherence to co-operative principles,
- a pro-active promotional role,
- non-interference and no political influences on decision-making; to allow the Agency to pursue its set of aims undisturbed.
- funds to discharge its obligations on a long term development basis not subject to short term bureaucratic requirements.

A Common Ownership Fund is also recommended (on much the same lines as New South Wales), to solve the frequent problem of co-operatives by the provision of access to finance from a sympathetic organisation with revolving funds which are provided solely as loans; on favourable interest and repayment terms and on the basis of skilled assessment of economic viability.

We recommend that the role of the funding committee of such an Agency and the role of support staff is to avoid dependency creation whilst encouraging independent worker owner/management to progress to early viability. Thus finance and advice are provided with minimum intervention. This provision of help without accrual of de-facto authority, influence or control is a crucial skill which is difficult but achievable.

We advocate the use of the viability criteria as a multi-purpose aid to decision taking but emphasising that they must be applied using insight from persons of proven business success in a flexible way. They are not a set of rules that can be applied in an arbitrary mechanistic way.

VALIDATION OF THE PROGRAM - Overall Impact. Continued.

3. C.M.R  
Recommendation  
 Continued.

These viability criteria are 'indicators' that can be used for:-

- identification of potential in an organisation seeking funding,
- establishing guidelines for any funding committee,
- monitoring progress towards economic viability,
- minimising resource usage by those organisations aiming at social viability.

The auspice of the Worker Co-operative Development Agency and the Common Ownership Fund could be:-

- The Co-operative Federation of Victoria.
- The Small Business Development Corporation.
- As an independent Foundation.
- We discount the Ministry itself as a possibility because of all the dependency creation arguments advanced elsewhere and the inappropriateness of the holding company role for the Ministry on a long term basis.

Our recommendation is that the auspice should be the Federation:-

- a. It is the natural link if economic viability is accepted as the priority aim.
- b. Old and new, style co-operatives do have many issues in common and a dialogue is desirable on differences.
- c. There is a financial framework established which can be used to back the Common Ownership Fund.
- d. There would be a degree of 'synergy' instead of proliferating organisations.
- e. The Small Business Development Corporation is the main alternative (advocated in Labor Party policy). The disadvantages; the problems of lack of a banking framework and political issues of funding co-operatives and not other small businesses.

4. Findings

Business Advisor and Education and Training Unit.

We were asked to assess their role, contribution and impact, bearing in mind the date of their appointments in the Program and operating constraints. A significant factor is their dispersed location and attachment to the different organisations (The Co-operative Federation of Victoria and VOC respectively).

Having said that, there have not been the resources to provide policy leadership, guidance and supervision to concentrate effort where best required.

## VALIDATION OF THE PROGRAM - Overall Impact. Continued.

4. Findings  
Continued.

The current calibre and balance of these support services is not adequate and we cannot envisage it becoming adequate to the much higher standard of operation we propose.

That is not to say that the persons have not been well motivated, hard working and effective in the chosen parts of their role.

Evidence

1. Two members have cumulative experience in work of over 25 years.
2. Continuance of the Program in experimental format to the current time with no significant impact on policy guidelines, assessment and monitoring methods, development of tests of viability. Also, lack of development of identified training needs, training plans, implementation programs.
3. Evidence in Conclusions on Funded Co-operatives and in Individual Co-operatives reports that co-operatives have been allowed to continue with inadequate accounting and systems; unrealistic projections and in some cases failure to identify or solve major crises. e.g. Loch Ard and Maryborough.
4. As to emphasis on chosen parts of their role, the submission by the Education and Training Unit proposes to begin doing what should have been done from the start. We question their capability to do so as they lack essential training and experience.

C.M.R.  
Recommendation

If our proposals are accepted, or if a Program or Programs continues under Ministry direction we see the need for:-

1. An integrated approach with a unified service operating from one location from an independent organisation. (We propose the Worker Co-operative Development Agency).
2. A shift in emphasis and an upgrading of calibre of staff is required to meet a more exacting standard set by more strictly defined Program guidelines. This would place greater emphasis on guidance from persons of business success accomplishment.

In this area the guidance must come from those who have been a success in the hardest aspects of building a new enterprise.

3. Use could be made of the WCDA resources to service any Program for 'social', sub-optimal co-operatives, perhaps on a 'fee for use' basis.